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MARCH, 1954

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College Recruitment in 1954: A Survey
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Poor Letters Are a Luxury
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Designing Safety In—And Accidents Out
Can Sales Management Solve Its Human Problems?
The Wonderful, Ordinary Luxury Market
Developing Effective Financial Publicity
How to Sell the Budget Principle
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AMERICAN MANAGEMENT ASSOCIATION

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Volume XLIII No. 3

MARCH, 1954

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A Partial List of

Contents

GENERAL MANAGEMENT

Business at Bat *(Erwin D. Canham)* 138
Women Executives? Plenty in Tchambuli! *(Time)* 140
Spotting Phony Charity Appeals *(National Foremen's Institute)* 141
R.I.P.: The Overworked Executive *(Journal of Commerce)* 143
Current Trends in Organization *(Walter B. Schaffir)* 145
Tomorrow's Business Leaders: How Shall They Be Educated? *(Harold F. Smiddy)* 148

INDUSTRIAL RELATIONS

College Recruitment in 1954: A Survey of Company Plans *(Frank S. Endicott)* 151
"Employee Education": A Realistic Goal? *(Advanced Management)* 152
Preparing for Contract Negotiations *(Research Institute of America)* 154
Management and Union Rights: A Survey of Contract Provisions *(Bureau of National Affairs)* 157
Women Workers Are Here to Stay *(Business Week)* 158

OFFICE MANAGEMENT

That Secretarial Shortage *(Independent Woman)* 161
Handling the Office Payroll: A Survey of Company Practices 162
Poor Letters Are a Luxury *(Richard H. Morris)* 165
Clerical Overhead Can Be Reduced! *(Management Methods)* 167

MANUFACTURING MANAGEMENT

Putting Color to Work in Your Plant *(Factory Management and Maintenance)* 169
Designing Safety In—And Accidents Out *(National Safety News)* 173

MARKETING MANAGEMENT

Can Sales Management Solve Its Human Problems? *(Sumner J. Robinson)* 176
Bad Boys of Sales Management *(Sales Management)* 178
The Wonderful, Ordinary Luxury Market *(Fortune)* 181
Facing the Facts of Competition *(Credit Executive)* 184

FINANCIAL MANAGEMENT

Developing Effective Financial Publicity *(Herman S. Hettinger)* 187
Employee Stock Ownership: One Company's Experience 190
How to Sell the Budget Principle *(Dun's Review and Modern Industry)* 192

INSURANCE MANAGEMENT

Providing Proper Coverage for Your Fixed Assets *(Best's Insurance News)* 195
Guarding Against Internal Fraud *(Accounting Seminar)* 198

SURVEY OF BOOKS FOR EXECUTIVES 201

BRIEFER BOOK NOTES 206

READERS' FORUM 208

General Management

BUSINESS AT BAT

TODAY WE are going through a crucial testing time within the American political and economic communities. The test is whether American business leadership uses wisely, with social responsibility and balance, its present opportunity to prove to Americans and to the world that it can solve its problems better in a free economic system than in any other. The crisis is now, and the opportunity may be briefer than we think.

Despite all appearances, business is not "at bat" in the sense that it has seized control either of the Federal Government or of opinion in Main Street.

True, the present Federal Government has temporarily admitted business as a partner in the team; people in and out of government have something of a new attitude—a new respect—toward business. But that is not all. Today we are reaching more balanced economic power, short range and long range, in the United States than ever before. A measurably new economic system has developed in the United States; this fact is meaningful to the entire world.

In the deeper sense, "business at bat" means the new opportunities facing Americans to understand the significance of what has happened, to communicate this significance to themselves and others, to awaken to the new frontiers we are crossing—and to the great and portentous frontiers we can cross as something of this great experience becomes known to people elsewhere. Our experiment here is the true liberating, revolutionizing force in modern history; it should lift the hearts and minds of men everywhere as a vision of opportunity, and sweep communism—or any other totalitarianism—into the ideological limbo of false nonsense.

What has the American economic system achieved?

1. *A prodigious volume of production.* The United States has but 6 per cent of the world's population and land area, but it produces from 40 per cent to 50 per cent of the world's goods. Production has increased 30 times between 1850 and 1950, while the labor force grew less than nine times.

2. *The shortest working hours in the world.* In 1850, the average in American industry was 70 hours a week. Today it is about 40. Certainly there is nothing either evil or undesirable in hard work; nor have we yet adequately learned how to use the new leisure. But it is important to ease the grinding burden of toil, and it is valuable to give man the opportunity to live a richer and more varied life.

3. *Productivity per man-hour has increased sixfold since 1850.* Employers have learned that labor must be a willing and eager partner if really high production is to be achieved. Wise employers help their labor force to understand their jobs, to take an interest in them, to think about them. Thus productivity—and rewards—increase.

4. *The greatest capital plant in his-*

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tory. Our capital plant, both public and private, is of staggering proportions. After an immense expansion during World War II, we have continued its enlargement at an unprecedented and wholly unexpected rate. In 1950 we built $28 billion worth of new construction; in 1951, $30 billion. These vast additions have kept our economy far ahead.

5. *The highest incomes, most widely diffused, in the world*. Money is an easily misunderstood measuring-stick. But it represents, in part, man's rise above serfdom. It signifies man's capacity to meet his needs more adequately, to provide for the weak and helpless, to open doors to fuller living, greater cultural and humane values. In 1840, nonagricultural wages in the United States were about eight cents an hour; now factory wages average $1.64 an hour—20 times as much. Allowing for increases in the cost of living, the actual purchasing power of wages is four or five times as much today as in 1840. The average income of the poorest one-third of American families and single individuals in the fiscal year of 1935-36 was $470, or $820 in terms of 1950 prices. The dividing line from the upper two-thirds was $780, or $1,360 in terms of 1950 prices. In 1950, the average income of the poorest third had risen about $1,250 and the dividing line from the upper two-thirds was about $2,100.

In contrast, wealthy people's share in the national income has been drastically reduced. In 1929, the 1 per cent of the population in the highest income group got 19 per cent of the national income. In 1946, it got only 8 per cent.

Behind each of these material symbols lies a potential spiritual advance. Their importance is to be measured in the degree to which they have freed man for his destiny. And plainly, the United States is still in full transition. We have a great opportunity to achieve higher values in society for man.

Possibly the greatest challenge to American capitalism today (after the challenge to all of us to prevent global war) is to stem another catastrophic depression. Business must prepare for inevitable cyclical trends and be ready with cushioning plans. Business must use the apparatus of private collective action more effectively. Business must be ready to obtain the cooperation of labor in coping with the challenge of recession. Business may well prepare new tax-law amendments which will permit the building up of more adequate reserves against a rainy day. Business can save itself, and all the values our system holds for the world, by facing up seriously and adequately to the threat of recession. A serious slump in the United States would affect every part of the free world, and benefit the totalitarians immensely. If business does its part in the face of cyclical readjustment, it will have won its chance to go forward.

The changed and changing nature of the American economic system is one of the greatest facts of the mid-century. Marxism is no longer a valid criticism of capitalism, if it ever was. The problems that Marx thought he saw have been solved, and many more besides. Cartels at one extreme, communism at the other, socialism in between—all are inapplicable to the dynamic of free but responsible enterprises.

Let us prove in social awareness and action the power of free men.

—From an address by Erwin D. Canham before the Public Relations Society of America.

WOMEN EXECUTIVES? PLENTY IN TCHAMBULI!

WHEN the U. S. male catches the 8:05 to the office, he escapes from a world in which he has long ceased to be undisputed master, and into a region where he is still very much the boss. Outwardly, but only outwardly, American business has become strongly feminized. Industrial giants get down on their knees before the woman shopper, promising to love, honor and obey. The U. S. office landscape is full of wire bras, pancake makeup, and clouds of Chanel No. 5 rising from filing cabinets. Of the total U. S. labor force of 63 million, nearly one-third are women, twice as big a proportion as 60 years ago. Nevertheless, there are not enough top women executives in the U. S. today to form a medium-sized chorus line.

The basic reason is that the U. S. is not Tchambuli. Tchambuli is an idyllic community in New Guinea in which the men go in for curls, bright ornaments and music, while the women attend to business. Despite the pioneer days, which helped make the American female more independent than any other female this side of New Guinea, American sentiment is strongly anti-Tchambuli. U. S. men feel uneasy working for women. U. S. women, for that matter, feel equally uneasy working for women.

A handful of outstanding women hold important corporate jobs; *e.g.*, Mrs. Mildred McAfee Horton, 53, former president of Wellesley and wartime boss of the WAVES, is a director of NBC, RCA and the New York Life Insurance Co. Women have become leaders in obviously feminine lines, such as fashions, cosmetics and, increasingly, department stores; and they have done well in lines where their eye for detail is useful, *e.g.*, banking (there are 8,105 female bank officers in the U. S.—9 per cent of the total). But how rare women executives still are is shown by the fact that only one-half of one per cent of employed women make more then $5,000, compared to 12 per cent of men.

U. S. business men rarely allow themselves to think about this situation. When they do, they give a lot of excellent reasons for it. Women lack technical aptitude and muscle power, which keeps them out of the rougher side of industry, where many top executives get their start. The career they are really interested in is marriage. "By the time you have spent a lot of time and money training them for executive jobs," says a Seattle department-store man, "some guy grabs them off, or they get pregnant, or something." And, complain a lot of business men, while the married women are too busy with their homes, the unmarried are too busy with their frustrations. Women in general get too deeply involved in their jobs. They are too emotional. (Says one baffled male executive: "You can't talk to women the way you do to men. You hate to have them cry.")

To which a lot of women reply that women merely try to be what men want; when women try to be tough and decisive —in other words, when they display executive qualities—the men run for the elevators.

The American male ideal of woman's place in business is symbolized by the All-American Secretary (also known as the Daytime Wife), who might have inspired Scott's lines: "When pain and anguish wring the brow/A ministering angel thou." She is a nylon version of the ancient dream of woman as man's

helpmate, companion, housekeeper, ego-builder and aspirin-bearer.

Many women, and a small male fifth column, have long been fighting this status of women. Says Tillie Lewis, fortyish, red-haired president of Stockton, Calif.'s successful Flotill Products, Inc.: "From the time we are old enough to understand the seriousness of life, we are taught to listen first to our daddies, then to our employers . . . It's utter nonsense." But most women in business seem content with the ministering-angel role, and relatively few try to get into the higher reaches of the corporate cherubim.

Actually, many businessmen feel that there is more room for women executives—particularly in the youngest professions, where taste and the personal touch are important: public relations, advertising, personnel work, industrial design. They feel that if business is maintained at today's level, there will not be enough qualified men to fill the responsible positions, and women are going to be received in top jobs out of necessity.

—*Time*, January 11, 1954, p. 72:1.

SPOTTING PHONY CHARITY APPEALS

OTHERWISE hard-headed business men are falling every day for the chant of the "charity" racketeer. Every year close to $500 million is diverted from legitimate philanthropic channels into the coffers of pitchmen, fakers and borderline solicitors of funds for "worthy" causes. In the City of Boston alone, unwitting management during 1952 fell for $50 million worth of phony appeals for "new" hospitals, "veteran's organizations," "boy scouts," etc.

Here's a checklist, drawn from the recommendations of the Better Business Bureaus and similar organizations, that can help you distinguish the genuine charity from the racket appeal:

1. Most racket charity appeals are made by telephone. (Use of mails is too dangerous.)

2. The customary pitch is for the company to contribute a "small" amount, usually from $25 to $100.

3. Fake solicitors will invariably say that your name has been given them by some local politician or judge who is familiar to you. A new pitch is to tell you that your name has been recommended by a Treasury official—the implication being that you will get special consideration on tax investigations in case your company's books are inspected.

4. If you agree to some amount, the phony will ask you not to mail the check: "We'll send a messenger right over."

5. The names of the "charities" for which appeals are made are usually local in character—hospitals, veteran organizations, churches, etc.

6. Not all the appeals are pure fakes. Many are in behalf of legitimate non-profit organizations—but the professional solicitors get anywhere from 30 per cent to 80 per cent of the income, with the charity netting a bare leftover. If fund raising overhead is more than 20 per cent, then the organization has been taken in.

7. Personnel directors and labor relations heads are targets for the soft touches. Solicitors use the angle that the contribu-

tion will help improve "your community relations."

8. Some "charities" will send merchandise—pencils, wallets, stickers—and ask for a donation. While the charity may be legitimate, here too the solicitors get about 70 per cent of the returns.

Handling the problem is not difficult if you follow a simple set of rules recommended by the Better Business Bureaus:

Don't agree to give any money as a result of a telephone solicitation—no matter how worthy-sounding the cause. Instead, ask the solicitor to send you a letter. This will get rid of 70 per cent of the phonies. The others can be eliminated by checking with the Better Business Bureau or Chamber of Commerce in your town when you receive a mail solicitation for funds.

Don't think you are liable for any merchandise you receive from a soliciting charity. Under the law you are not obligated to return it unless the sender calls for it. If he does, charge him for storing the material in your office. He'll make a quick exit. If you're interested in the charity, ask for a financial statement. If the charity is legitimate, it will reveal how much of the contributions go to the cause.

Brief other members of management on the racket aspects of charity drives. If unsuccessful with you, phonies may try to nab the vice president, the controller, or some other member of top-level management.

Be sure that all charity commitments by the company are cleared through a single source—personnel, industrial relations, or the comptroller's office.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), No. 396, p. 4:2.

The Rising Business Birthrate

LIKE the human population, the business population has been rising more rapidly in recent years. New business incorporations were recorded at an average of 6,970 a month in 1951; in 1952, the average rose to more than 7,700 a month; last year it went up to 8,500—just about 10 times the rate of business failures. At present, there are some 4 million firms in the U. S.

Yet it has become no easier to go into business. On the contrary, some of the requirements are more difficult to fill than ever before in peacetime. Raising enough capital has become no easier for those who seek to establish a business for the first time. Even assuming that the founders of an enterprise start with adequate funds, they must still face and solve the common problems of management, merchandising, and finance which cause the principal troubles of most new firms.

Some types of new business have a much better chance of survival than others. The Small Business Division of the Department of Commerce reports that "the number of manufacturing firms in operation changes more than three times as much as the average for all business firms. . . . The contract construction industry is the next least stable. Then comes wholesale trade."

Despite the fact that business operations have become more and more complex, partly because of a greater variety of taxes and regulations, the failure rate has been considerably lower since World War II than at any other time in the last half-century. It was only 31 of 10,000 concerns in 1951, according to Dun & Bradstreet, compared with the prosperous year 1928, when it was 109, and with a decade later, when it was 61.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 1/19/54

R.I.P.: THE OVERWORKED EXECUTIVE

AN EXECUTIVE's briefcase should never make the trip home with him, according to a New York physician who has counseled close to 10,000 executives over the years. "Briefcaseitis," he says, is dangerous.

Dr. Harry J. Johnson is concerned over what he believes is the tendency of executives to work longer hours while the rest of the working world is slowly learning to work less and less. Moreover, excluding the really big industries of this nation —which have, as a whole, gone in for periodic executive health check-ups—the batting averages of corporations today are relatively poor in the field of preventive medicine, he believes.

Dr. Johnson, who is medical director of Life Extension Examiners, an organization specializing in complete annual diagnostic health examinations of executives, says that most executives—especially the younger ones who still have to reach the top—are "victims of themselves." Suddenly finding themselves shoved "upstairs" before they're ready for the responsibility, many are unable to stand the pressure but unwilling to "step down." As a result, they work harder and longer, often "bringing the office home" in their briefcases, to keep up the required pace. It's a vicious circle that could be corrected through management's consulting with the man prior to his promotion. Both have a lot at stake, and management should not penalize the man for refusing a promotion, Dr. Johnson says.

Basically, the idea behind company-sponsored health check-up programs is: Discover the trouble soon enough, do something about it, and you'll live and work a lot longer. Both management and executive benefit. Furthermore, periodic check-ups absolutely dispel imaginary ills —which cause just as much worry as real ones—and give a tremendous morale lift to the healthy executive, Dr. Johnson believes.

In addition to the large loss a company takes when one of its experienced executives dies or is forced to retire, unknown amounts of money and morale are going down the drain because of executives who are ill and therefore unable to operate at top efficiency. And many times they pass along their sourness to everyone from elevator operator to private secretary. Morale and efficiency suffer all down the line.

A detailed break-down of 3,000 executive examinations made by Life Extension Examiners in 1951 revealed that 1,198 executives—39.9 per cent of those examined—had something wrong with them. The average age of these executives—whose fields included insurance, retail sales, installment banking, and manufacturing—was 43.8 years.

Of the 1,198 who didn't get a clean bill of health, 710 were overweight, the survey showed. Four hundred and fifty had abnormal electrocardiograms, and 280 were reported with uncorrected poor vision. High blood pressure affected 359 executives. In many instances an executive had more than one ailment.

Obesity, or overweight, cannot be shrugged off lightly. Actually, says Dr. Johnson, it's the "plague of the 20th century."

With every 10 per cent increase in weight over the normal amount, mortality goes up 20 per cent. Many more lives can be lengthened through cutting down on those extra pounds than through cancer-detection tests.

To be effective, any health program —whether it be conducted by the company's medical department or by an outside organization—must be voluntary and confidential, according to Dr. Johnson. The confidential aspects of the program make it easier for the executive to talk to the doctor without fear that the "top brass" will learn what's going on—and this is important, since hardly any man will say he's sick if he thinks it might cost him his job.

For companies that do not have medical departments, a program to safeguard the health of key executives can be set up through any one of a number of organizations in various places throughout the country. These organizations, as a rule, advise the patients and suggest they show the reports to the family physician. They render no treatment.

—JACK KIRK. *Journal of Commerce*, December 30, 1953, p. 1:2.

Checklist for Measuring Executives

WHEN THE BOARD of directors of a well-known company in the grocery industry was measuring the men in the organization for the presidency, upon the retirement of the incumbent, one of the directors worked out this questionnaire—which may be useful to other boards of directors:

1. Who of the possible candidates is the best known as a personality to the most company people?

2. Who is the most liked and trusted by them?

3. Who is held in the highest regard outside the organization . . . in public life, and "in the trade"?

4. Who is the most warmly human in his dealings with people?

5. Who has demonstrated the best capacity for selecting able men, and the greatest willingness to delegate authority and responsibility?

6. Who will be apt to do the best job of keeping his desk and mind clear of day-to-day operating problems, so he will have time to think in broader terms of tomorrow and next year?

7. Who does the boldest—yet soundest—thinking?

8. Who is most open-minded and willing to revise decisions when important new facts come to light?

9. Who inspires the best cooperation and exercises the best control and coordination, without "trespassing" on responsibility once delegated?

10. Who is most self-possessed in all situations, best able to adjust to personalities and circumstances with tact and understanding?

11. Who can be depended upon to make the most of a promising new plan or idea?

12. Who can "take it" best under a heavy load of responsibility?

13. Who is the best builder of the men under him?

14. Who is most likely, in good times and bad, to remember that the basic job of the president is *to operate the business at a profit?*

This set of questions should prove equally helpful to any executive who wants to measure himself for promotability.

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 60

CURRENT TRENDS IN ORGANIZATION

LIKE MANY other terms in the management vocabulary, the term "organization" has been somewhat discredited in the minds of some people. They feel that organization implies regimentation, bureaucracy, rigidity, stifled initiative, and restrained flow of communication; in fact, they hold that a group of mature people can do well without it.

The blame for this may be placed both on over-emphasis of the mechanical aspects of organization theory and on occasional abuse by people who forget that formal organization is not a substitute for good human relations.

Like any other tool of management, organization may be misused. The fact is that organization may be employed successfully to build a highly centralized, autocratic, and rigid enterprise; and that it may be used with equal success by the progressive leader in industry to promote decentralized, efficient, and flexible management, utilizing to the fullest the capabilities of all its members. It is the philosophy that makes the difference.

THE CHANGING CONCEPT OF "ORGANIZATION"

The most fundamental trend today appears to be the change in the concept itself. Management has learned that its primary concern must be, not with an abstract "structure" of organization, but with the people who occupy the positions. The emphasis has therefore been shifting from drawing charts to studying people. Management has learned a great deal also about the "informal" structures which are superimposed on the "formal," officially prescribed structure; the intricate and highly interwoven fabrics of relationship which are so vital in getting work done.

SYSTEMATIC ORGANIZATION PLANNING

Among the principal objectives of the current drive to develop executive talent is the continuity of capable management. It appears only natural that, wherever executive development has emerged on a formal basis, organization planning has become an integral part of it. After all, one can't develop executives for vaguely defined positions in a vaguely defined structure; not without an estimate of what the organization (and therefore the executive requirements) will look like five or 10 years hence.

EXECUTIVE POSITION DESCRIPTIONS

Also related to organization planning is the trend toward the writing of executive position descriptions: the analysis, definition, and evaluation of executive jobs. These position descriptions serve, in addition, as a basis for performance standards—which must underlie, necessarily, the appraisal of executives. The art here is to write these statements in a fashion which will not stifle the executive but facilitate his growth.

INCREASING SPAN OF CONTROL

According to Graicunas' classic principle, the number of people reporting to an executive must be limited, since the difficulty of supervision increases exponentially with this number.

With the growing awareness of the factors underlying executive productivity, it became apparent, however, that short "spans of control" may have distinct dis-

Based on an address before the Metropolitan Chapter of the American Institute of Industrial Engineers.

advantages. They allow more time per person supervised and therefore encourage "over-supervision"; this, in turn, fails to stimulate delegation of responsibility and results in a decision-making bottleneck at the supervising position as well as in poor morale, poor productivity, and poor utilization of the capabilities of subordinates.

A second disadvantage arises from the fact that, for a given number of people, short spans of control necessarily mean long chains of command ("steep" structures). As a result, people on the bottom of the hierarchy tend to become isolated, by numerous levels of supervision, from the leadership on top. These many intervening levels tend to obstruct good two-way communication and lead to rigidity of administrative practices.

To remedy these shortcomings, some companies have been changing deliberately to wide spans of control ("flat" structures). The key point here is that the more one delegates, the wider a span one can afford. Dr. Pfiffner refers to deletion characteristically as the "third dimension" of organization.

DECENTRALIZATION

The realization that a man will do a better job if he is given all possible responsibility to run his own show, allowed to put his own initiative to work, and convinced that he has a real stake in the results of his efforts has led to a general movement toward decentralization. The latter has many additional advantages, of course, such as easing of top executive workload, better management development, improved efficiency, etc. It does not necessarily mean geographical dispersion, but rather the pushing-down of the "locus of decision-making" to self-contained units at the lowest practical level of the organization.

Strongly centralized decision-making is very typical in the small company which the owner-manager has built up "with his own hands." As the organization grows, he no longer has sufficient time to do everything, however. But how could he delegate what he knows so much better than anybody else, having made all important decisions for 10 or 15 years? At this point it becomes essential to develop subordinates and let them make the decisions pertaining to their function.

Small businesses are beginning to realize that one of their most serious problems of transition is organizational in nature. More often than not, problems of organization are diagnosed at this stage as problems of "human nature," "interpersonal friction," "inadequacy of subordinates," or the excuse that "our business is different." The skill and the insight necessary for successful delegation are yet to be mastered by many executives.

This structural problem is similar in the large corporation. The overwhelming trend is away from centralized decision-making, with plant managers merely relaying orders from the home office. Today's multi-plant organizations stress autonomous plants; home offices provide only over-all policy and specialized consultation, and raise funds necessary to carry on the business. Individual plant managers are charged for these services and are held accountable on a profit-and-loss basis.

This type of decentralization combines the advantages of small-plant operation with those of specialization, which only a large enterprise can afford.

For some time, there prevailed a

tendency to strip the line organization of authority in various specialized areas, and to vest this authority in functional staff groups: personnel departments, planning and control departments, and others. The emphasis today, however, is squarely on the line executive—particularly the first-line supervisor—as the key to a sound and productive organization. Staffs are organized to strengthen his position, and their "institutionalization" is guarded against.

"Assistant-to" positions (a special case of staff) have been recommended widely. Lyndall Urwick urges the use of "chiefs of staff" as a means to extend the executive's capacity and to train future "generalists." Others oppose such positions, however, particularly those having only vaguely defined responsibilities.

A discussion of current trends would not be complete without some reference to various research in this field. This research has come into being largely through the impact of the social sciences on management thinking. While the results to date have not been spectacular in terms of establishing specific "laws" of organizational behavior, they have afforded management a great deal of insight into the dynamics of industrial institutions. Examples of such research are the "structure and communication" studies at M.I.T.; the "leadership" studies at Ohio State; and various "decision-making" and "sociometric" researches of industrial groups.

However, most businesses have as yet to take advantage of what is known about organization today. Some of the principles are old, but their application is still quite rare.

—WALTER B. SCHAFFIR (Staff Assistant—Administration, Sperry Gyroscope Company). *Journal of Industrial Engineering*, January, 1954.

Coming Soon: Atomic Power Plants

U. S. POWER EXPERTS, analyzing the world's energy resources and anticipated power requirements, believe that there is only one obvious answer to the urgent need for more energy: atomic power plants.

According to A. C. Monteith, vice president in charge of engineering for the Westinghouse Electric Corporation, by A.D. 2000 the world will burn as much power in a single year as was used from the year 1 A.D. to the present time.

The power needs of the whole world are growing rapidly, and atomic power definitely measures up to the forecasted requirements. Mr. Monteith predicts that the huge power potential just 10 years hence will break down about as follows: 132 million kilowatts in steam power, 32 million kilowatts in water power, 4 million kilowatts in internal combustion engines and perhaps 2 million kilowatts in atomic power.

A new Atomic Energy Commission schedule calls for a utility-size U. S. atomic power plant to be in operation within four years. Built from a single purpose reactor, it will cost more than twice that of a conventional coal-burning plant. But it is hoped that enough will be learned from such a plant so that future atomic power plants can produce power at competitive costs.

—*American Exporter Industrial* 1/54

TOMORROW'S BUSINESS LEADERS: HOW SHALL THEY BE EDUCATED?

As EMPHASIS on management education grows throughout the country, we see business men devoting increasing amounts of time and money to management development programs. At the same time, many of the directors of our great educational institutions are taking on various types of business assignments—including, for example, government research work—to get money to keep their institutions solvent and competently staffed.

Why are managers of business setting up training, development and educational programs with their own staffs on so wide a scale? Clearly, there is something in the way of education which such business managers feel they need but do not believe they can get directly from men in the field of education.

Recently I spent some time with the faculty of the business school of one of the country's leading universities. We discussed what management needs from business schools and what business schools need from management in order that their output of graduates may have the best foundation for success in business in the years ahead.

Before meeting with this group of professors, I went to the managers of several representative businesses of considerable size and asked them in what areas today's graduates need better educational preparation and development if they are to progress more rapidly and competently and fill future managerial needs. Their answers boiled down to these three points:

1. "Tell the professors to give them a course in resiliency." These executives felt that the young graduate entering business today is frequently so concerned with visions of early and permanent security that he is unwilling or unable to take risks or make serious sacrifices. Few are willing to take on a low-level production job as a natural step toward higher managerial positions. They prefer instead to start as an assistant to a high executive, so they can move more or less directly—and in not too many years—from this vantage point to a fairly advanced managerial job of their own.

The first suggestion, accordingly, means that if a graduate wants to lead men who are expert in their own functional work, he must learn about the kinds of work and the disciplines involved. Learning to supervise and manage small groups of men is the best preparation for later jobs involving the management of more responsible and more diverse organization components and the people in them.

2. "Tell the professors to teach their men the English language." Too many graduates today do not know how to speak or write English. They cannot communicate intelligently with their associates in business. Far too many of them do not even know how to read well enough to be able to cope with the flood of written material with which a manager must be reasonably familiar to carry on his work properly.

3. "Tell the professors to teach them more about how to live and get along with people in a competitive business environment, while retaining initiative and creativeness." Excessive amounts of purely vocational or functional training in school are not necessary, since this is the easiest

kind of training to provide in the shop or office.

These suggestions of practical men of management provoked equally pertinent reactions among the educators. These, again, were three in number:

1. "Aren't you talking about basic character and basic ability to live in the social environment of our day, rather than about matters that are an appropriate subject for administration or technical college courses?"

2. "Isn't it a fact that we are already teaching the men things that have been proved in college laboratories and in business activities, which the young men after graduating then find are not applied in business?" In other words, business men often lag so far behind in applying the knowledge already available to them that if an enthusiastic college graduate suggests using a little more of it they may mark him down as too theoretical to be trusted with so-called practical business responsibilities.

3. "How can we professors tell the young men in our charge what will be the impact of present and prospective technical and other developments 10 or 15 years from now if you gentlemen who are creating these potential business and technical problems don't give us clearer and much earlier blueprints of what you expect the future to bring?"

The point that seems to stand out from this exchange of thinking is that neither business men nor educators are doing enough toward adequate joint planning for the future, especially in regard to the interests of the younger men who will inherit the task of managing business under the conditions which we will have created.

—HAROLD F. SMIDDY (Vice President, General Electric Company) in an address before the National Office Management Association.

Consultants' Numbers Grow

THE NUMBER OF management consultant firms in the U. S. has been estimated at 15,000, compared with 2,000 in 1940.

But those figures must include an overwhelming majority of one or two-man operations. According to the Association of Consulting Management Engineers, New York, whose membership includes more than 40 of the top 50 companies in the field, the average management consultant firm has 35 to 40 employees; it does 85 per cent repeat business; it bills on some form of man-day basis.

Most consultants start with a specialty (many began as consultants on wage incentive plans) and gradually broaden their scope into other fields, such as marketing, financing, and personnel problems.

—*Steel,* Vol. 133, No. 17

HOW MUCH DOES IT COST to finance employee benefits? According to a recent survey, the total contributed by employers for "extra benefits" reached a new peak in 1952 of $8,054 million vs. $7,677 million in 1951. A breakdown shows that $3,436 million went for pension and welfare funds, $2,101 million for OASI, $1,654 million for unemployment insurance, and $863 million for other labor benefits.

—*The Hanover Pension Bulletin* (The Hanover Bank, New York) 11/53

Also Recommended • • •

THE CULTURAL CRISIS OF OUR AGE. By Reinhold Niebuhr. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1954. $2.00. Examining the problems that business men face as individuals, employers, and citizens, a leading religious thinker argues that the Christian diagnosis of today's human problems offers a sounder and more practical key to their solution than the methods of science. While we must accept self-interest as a powerful force, we cannot afford to base our ethical standards upon it, he asserts; moreover, we must acknowledge real obligations to a community beyond that of the family, the business organization, or even the nation.

SCIENTIFIC AND INDUSTRIAL RESEARCH AND DEVELOPMENT. Council for Technological Advancement (120 South La Salle Street, Chicago 3, Ill.), January 27, 1954. 25 cents. The problems involved in increasing basic research and achieving a better balance of research activities in the nation as a whole are examined in some detail in this pamphlet, which also offers a quantity of data on research costs, presented in tabular form. Whether basic research is performed in the company laboratory or in a government or university laboratory, the authors point out, there is likely to be little or no lag today between an important basic discovery and its industrial or commercial application.

MANAGEMENT COMMUNICATION AND THE GRAPEVINE. By Keith Davis. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1953. $2.00. No administrator in his right mind should attempt to abolish the management grapevine, the author declares. Rather, it should be recognized, analyzed and consciously used for better communication. To this end, the author examines the significance, character and operation of management communication patterns in a typical organization.

YEAR OF HISTORIC CHANGE. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), January, 1954. 60 cents. This "report to the American people" comprises an introductory article by the historian Allan Nevins on the U. S. in today's world, 10 statements by the members of President Eisenhower's cabinet on the administration's achievements and plans in each of their areas of responsibility, and analyses by 10 experts of the special problems faced by each member of the President's "team." An especially interesting article by the educator and labor-relations authority Clark Kerr discusses the complex and difficult tasks of the Secretary of Labor under a Republican administration.

GET A GOOD SCIENTIST . . . AND LET HIM ALONE. By Leonard Engel. *Harper's* (49 East 33 Street, New York 16, N. Y.), January, 1954. 50 cents. Planned research, the author contends, while a valuable device for answering all kinds of pressing questions, tends to ignore everything not included in the scope of the inquiry; in fact, the spread of "projectitis" in industrial and even academic research may actually be slowing down the rate of new and important "accidental" discoveries and stifling the development of individual scientific talent. Recommending that research institutions hire fewer scientists for specific projects and more "simply because they are bright," he suggests that a similar approach may well pay off even for industrial laboratories.

PRODUCTIVITY. By Lowell William Herron. *The Clarkson Letter* (Clarkson College of Technology, Potsdam, New York), November-December, 1953. Gratis. Discussing the nature of productivity, the forces behind it, past and present trends in productivity, and the distribution of productivity gains, the author points out that the rate of increasing productivity in the manufacturing industries has been slowing down in recent years. To insure its continued growth, he says, we must make greater use of machine energy, improve plant and equipment, extend the application of industrial engineering procedures, and develop favorable attitudes toward productivity.

THE MASS-PRODUCED SUBURBS. By Harry Henderson. *Harper's* (49 East 33 Street, New York 16, N. Y.), November 1953, and December, 1953. 50 cents. In these two articles, based on direct observation and a large number of interviews, an experienced journalist sketches the pattern of life in the large postwar suburban communities from which many of tomorrow's top business and political leaders may come. This pattern, as it takes shape in a highly interesting series of anecdotes and comments, is characterized by a high degree of cooperation, friendliness, and sharing—but also by an extreme conformity that does nothing to encourage creativity or self-reliance.

COLLEGE RECRUITMENT IN 1954: A SURVEY OF COMPANY PLANS

INDUSTRY'S demand for non-technical college and university graduates has nearly leveled off, and demand for technical men is rising much less steeply than a year ago, according to the findings of a recent survey of 216 large and medium-sized companies representing a wide variety of business interests.

All the companies replying to the survey—conducted annually by Frank S. Endicott of Northwestern University—actively seek college and university graduates, in most cases sending representatives to selected campuses and maintaining close contact with placement directors. Last year the average number of graduates employed by these companies was 53 men and five women.

Last year's survey revealed a possible "leveling-off" in the demand for non-technical men by 1954. This year's seems to confirm the prediction; the increase in demand over the previous year is only 1 per cent, with 70 per cent of the companies reporting that they will need fewer non-technical graduates in 1954. Also, it is interesting to note that the demand for technical men has risen by only 8.8 per cent, as against 25 per cent a year ago. It seems likely that further "leveling" will occur as veterans without experience return in larger numbers.

Starting salaries have continued to rise. Compared with salaries reported a year ago, the increases are as follows: engineers, up 6.2 per cent to $345 a month; accounting, up 6.1 per cent to $315; sales, up 4.3 per cent to $314; general business training, up 6.2 per cent to $310. Since 1948, the average in all fields has increased 37 per cent to $323.

Although only 63 companies reported that they are actively recruiting beginning college women, 102 indicated that they had job classifications for women graduates. They were asked to name the positions for which college women are employed and to state the starting salary. Here is a summary of the results:

Position	*Average Salary*
Secretary	$247
Stenographer	$236
Chemist, Lab. Technician, Research Analyst	$310
Statistics and Mathematics	$251
Home Economics	$276
General Clerical	$217

Respondents were asked to provide some general information about the individual who does campus recruiting. From the 190 responses a composite picture of a "typical" recruiter can be drawn.

He has a college degree and has been employed by his present company for 11 years. He has been recruiting college graduates for 5½ years and devotes about 25 per cent of his time to this work. It is not possible to state his title, but "personnel" or "employment" is likely to be a part of it. More than 60 different titles were listed.

Respondents were asked whether or not any estimate had been made concerning the cost per graduate hired, up to

the time the man begins work. Only 43 companies reported that such estimates had been made, and it was obvious from some of the comments that such costs are difficult to determine.

Reported estimates ranged from $50 to $1,200, with an average of $435. It was noted that most companies reporting a high figure apparently visit distant schools in search of a relatively small number of graduates. Similarly, it appeared that those with lower costs recruit from a small number of schools.

It appears that the number of schools to be visited this year will increase. About 31 per cent of the responding companies plan to visit more schools this year, as compared with 40 per cent a year ago.

—From *Trends in the Employment of College and University Graduates in Business and Industry*, 1954. By FRANK S. ENDICOTT (Director of Placement, Northwestern University, Evanston, Ill.)

"EMPLOYEE EDUCATION": A REALISTIC GOAL?

WHAT IS REALLY wrong with management communications today? Are our basic communications problems technical in nature, or do we need to re-examine our fundamental goals, assumptions, and concepts?

Where technical information regarding its products, processes, tools, and techniques is concerned, management has no communications problem. In this area, people in general—including our employees—accept management as both competent and authorized; consequently, they are willing to listen, and even make an effort to understand what management is saying.

But in the economic, political and business areas, it is only too obvious that management enjoys no such standing. Even though they may be in full agreement with the things management says, a great many people feel that management has no legitimate authority in these areas. Even less general is the conviction that management has competence in these areas. And nobody listens to somebody who neither has competence nor authority for him.

This being the case it seems doubtful whether there is any point in pursuing such objectives as many communications programs today seem to aim at—"employee education," "employee information," "changing the thinking of the employee"—let alone such queer targets as electing a Republican Congress or reducing the tax load on business. Until the employee and the public are convinced that management has a right to speak in these areas and something worthwhile to say, we shall make little headway toward these goals.

The first and major objective of a communications program must be to establish respect and receptivity for management.

Management's communications programs, especially those directed at the employee, seem currently to be based on two assumptions. The first of these is that the listeners are interested in the same things as management: profits, prices, wages, efficiency, free enterprise, etc. The second seems to be that the listeners, or a fairly large number among them, are hostile to the American free enterprise system and at least slightly infected by collectivist doctrines.

I submit that there is absolutely no basis for either assumption.

We cannot assume that the listener is interested in business or economic facts or business or economic theories. We can assume, on the basis of research, that the average employee is interested in the immediate happenings in his own company, particularly those that affect his own work and his own job. But we certainly cannot assume that the individual employee or the individual sees things the way management does, or that the things that are important to management are important and relevant to him. If we would recognize that a knowledge and understanding of the economic facts of life is necessary from the point of view of management, and management alone, we would be on far firmer ground than we are today.

As for the queer belief that we deal with people who are deeply infected by collectivist ideas and have to be "cured," anybody who has had contact with the American worker knows this is nonsense. To assume, as so much of the more blatant management propaganda does, that the American worker suffers from either ignorance or delusions is just to abandon in advance all hope for effective communication. Yet 80 per cent of the stuff management puts out is somehow based on this assumption that we have to "reform" the American public.

Finally, the concept of "communications" itself needs to be carefully examined. When people talk about "communications" today they seem to mean company magazines, annual reports to employees, company letters and company advertisements, and the like. But these have only a very subordinate role. Communications is simply a phase of employee relations—which are made primarily on the job and in the work. Formal communications are necessary to formulate and bring out communication that has actually taken place in the day-to-day relationship between man and boss and man and company.

If we are really concerned about communications, we should look at our day-to-day policies and practices. It is here that we must first create that respect for management and that acceptance of its authority and competence which is the first prerequisite for communication.

—PETER F. DRUCKER. *Advanced Management*, December, 1953, p. 23:2.

"Never Underestimate . . ."

"THE ROAD TO SUCCESS is filled with women pushing their husbands along." This observation of Lord Dewor, quoted in a recent issue of *Management Briefs*, the private publication of the New York consulting firm, Rogers, Slade and Hill, brings to mind a custom of Armco Steel Company. When an employee reaches the 25-year service mark, he gets all the standard kudos—but it's his wife who receives a gold brooch from the company.

It's becoming almost standard practice among firms planning to send prospective employees abroad to interview their wives first. The reason generally given is the high cost of relocating the employee ("you can't afford to have an unhappy wife"). With the high cost of executive turnover these days, a little money spent in interviewing wives of management candidates might pay big returns.

We've never seen a survey on the subject, but we'd bet this is true of half the men who start looking for new management jobs: The man's wife got dissatisfied with his job before he did.

—Factory Management and Maintenance 12/53

PREPARING FOR CONTRACT NEGOTIATIONS

IT'S NO SECRET that union negotiators are often more than a match for their counterparts on management's side of the bargaining table. In part, their superiority flows from a greater skill in dealing with people—which is the business agent's stock in trade. But more often than is generally recognized, union representatives walk out of bargaining sessions with a good settlement because they come better prepared.

Recent negotiating trends reveal clearly that the unions increasingly recognize that there is no satisfactory substitute for facts at the bargaining table—and that successful bargaining is a year-round process. Too often, however, management still views contract negotiations as an unpleasant annual chore to be dispensed with as quickly as possible and forgotten for another year.

Obviously, the big, well-heeled unions can provide research and educational services for their locals which few companies can match. More important, though, is the scale of pre-negotiation preparation which takes place at the local union level. With minor exceptions, the bulk of the average labor contract is concerned with working conditions at the particular company or plant. And this is often the area where unions have the edge, although they are directly in management's own bailiwick. Many companies could profit by taking a leaf from the union book in doing necessary pre-bargaining spadework.

A pre-bargaining research program set up by the CIO American Newspaper Guild's local in the Minneapolis-St. Paul area a few years ago is a classic example of foresight and thoroughness in preparing for bargaining-room sessions. These were the steps the local took:

A "Continuing Committee on the Contract" was set up, built around five experienced negotiators. Fifteen other members were added, representing every Guild department in the plant.

Four committee members fine-tooth-combed the local agreement, comparing it clause for clause with the model contract drawn up by the national union. A list was prepared describing each area where the local was lagging behind bargaining targets set on the national level.

Each area for negotiation was parcelled out among the committee members. For example, one group took comparative tables of wages from other Guild contracts and analyzed them in terms of the local agreement, to establish their relationship to the newspaper industry as a whole. Another member undertook a full-scale study of health and hospitalization benefits.

Meanwhile, other committee members met with employees in each department to discuss bargaining proposals. This not only gave union officials a chance to hear what the rank-and-file wanted but helped educate the members—especially the newer ones—to the need for pushing certain bargaining demands. During the research preparations, bulletins were issued from time to time briefing committee members on progress being made.

After eight months of preparation, five committeemen were selected to present the union's case. In bargaining sessions discussion on each topic was led by the committeeman who had done the research work on the particular issue. At the same time, each member of the negotiating team had been briefed ahead of time on what to expect.

As a result, the union reports these substantial gains: (1) a major overhaul of the contract, with increased benefits and a tightening of clauses; (2) increased management respect; (3) more union members trained in the job of negotiation; (4) a growing reference file for future negotiations, consisting of national contracts and independently gathered data, all geared to specific local bargaining conditions; (5) increased membership interest and participation in the union as a going concern.

Union research activity of this calibre on the local level poses a real challenge to company negotiators. To match such painstaking preparation for the bargaining table, management must take such parallel steps as these:

Surveys of wages and fringe benefit policies in effect in competing firms in the industry, in similar firms in the local area, and in other companies where the union negotiates.

Research into the union's basic objectives on wages and other issues, that its locals are currently negotiating in the area or industry.

Study of current bargaining issues in preparation for any eventuality.

Review of over-all policy with top management and with other departments to ascertain company prospects, its competitive position, ability to pay (long-run as well as short-run), bargaining limits, etc.

Analysis of weaknesses in the present contract.

Coordination of other management echelons into pre-bargaining preparations, consultation to spotlight weaknesses in the present contract, and participation in writing the new one.

—*Labor Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), Vol. 10, No. 20.

Employment of Research Personnel—A Survey

THE EMPLOYMENT of scientific and supporting research personnel is strongly influenced by both the size and the industrial activity of the employing company, according to the findings of a recent survey conducted by the Bureau of Labor Statistics in cooperation with the Department of Defense.

Almost three-fourths of the 97,000 engineering and scientific employees in 1,953 companies covered by the survey were employed, in 1952, in six manufacturing groups: aircraft, electrical machinery, chemicals and allied products, professional and scientific instruments, machinery (except electrical), and petroleum refining. All other manufacturing groups combined employed only about one-sixth of the professional research workers. Non-manufacturing activities accounted for the rest.

About 40 per cent of all research personnel were employed by companies with 25,000 or more employees each; two-thirds were employed by companies with 5,000 or more employees; and only 4 per cent worked for companies employing fewer than 100 employees.

About 143,000 supporting workers—draftsmen, technicians, laboratory assistants, skilled craftsman, and clerical and administrative employees—were employed by the reporting companies to assist their professional research staffs. The number of supporting workers employed per professional research worker was more significantly related to company size than to the nature of the industrial activity. In general, the tendency for research personnel to be concentrated in the largest firms was even more marked for the supporting workers than it was for the engineers and scientists.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 11/19/53

What Are Middle Management's Training Needs?

MIDDLE MANAGEMENT TRAINING is becoming almost as common as employee and foreman training in industry. A recent survey of 250 members of the Society for Advancement of Management found two out of three of those under 35, and one out of three of those over that age, still taking formal training of some sort. A larger percentage had taken courses at some time in the previous five years, and most had plans for further improvement.

Getting along with people, 77 per cent of executives felt, was the paramount factor in their advancement. Sixty-five per cent felt that their varied technical backgrounds and experience had helped them to obtain advancement, and 52 per cent rated the ability to analyze and make decisions as the trait that contributed most to their success.

Most of this group felt their primary need was for more social skills. They wanted training in encouraging staff teamwork, in gaining the confidence of others, in conference leadership. Only 40 per cent felt the need of further study in such fields as engineering, accounting, business law, production, though many wanted more knowledge of business economics and finance.

—*Personnel Executives' Newsletter* (Deutsch & Shea, Inc.) 11/30/53

New Wrinkle: No Wrinkles

FOR SEVERAL years, Daystrom, Inc. had tried all sorts of ways to give employees the financial facts about the company—using such devices as cartoon books, phonograph records, jig-saw puzzles, etc. But about two years ago, management sensed that the appeal of jazzed-up annual reports might be on the wane.

For some time, all Daystrom employees had been receiving, in addition to other material, a special report, which was adapted from the annual stockholders report but which was quite different in its presentation. After considering a number of alternatives, Daystrom decided to drop the special report and send the regular annual reports to employees, supplemented by additional information, such as a breakdown of wages, data on insurance benefits and costs, a review of business trends, etc. This method of reporting was so well received that the company used it again in 1953. A survey of employee reaction to last year's mailing showed that 90 per cent of responding employees strongly favored the present system of a report and supplement. The big reason seemed to be that they were getting exactly what the stockholders were getting.

—*Tide* Vol. 27 No. 21

TALENT AVAILABLE: Companies in the market for professional and managerial personnel may be interested to learn of the availability of former FBI men with outstanding personal qualifications, special training in law and accounting, and varied executive and administrative experience. Since former Special Agents are in demand for a wide variety of jobs in private business, from research work to high-level executive posts, the Society of Former FBI Men maintains a placement service, which will supply interested companies with confidential information on candidates currently available for various positions. Correspondence should be addressed to Placement Committee, Society of Former FBI Agents, 45th Street and Madison Avenue, New York 17, N. Y.

MANAGEMENT AND UNION RIGHTS: A SURVEY OF CONTRACT PROVISIONS

DIFFERING views as to the best way to handle the touchy subject of management rights in union contracts are reflected in a study of 400 representative agreements recently completed by the Bureau of National Affairs.

A minority (37 per cent) of these contracts make no reference to the subject; presumably this is traceable in part to the belief held by many firms that any listing of rights might be interpreted as excluding those not so reserved. Fourteen per cent of contracts, however, do contain a broad statement dealing with management rights; 17 per cent carry a detailed listing of rights; and 32 per cent contain both general and specific statements. About three-fourths of such provisions further clarify the issue by stating the extent to which management prerogatives are restricted by the contract.

Union rights are the subject of similar provisions. Many contracts have clauses that specify activities permitted or forbidden to the union itself, as distinguished from clauses dealing with the rights of individual employees.

Management rights provisions are much more common in manufacturing than in nonmanufacturing contracts—70 per cent as compared to 40 per cent. They occur in at least four-fifths of all agreements in textiles, automobiles and transportation, furniture, finance, and insurance.

Statements embodying some limitation on company privileges appear in three-quarters of the agreements which deal with management rights. Of these clauses, three-fourths content themselves with a formal acknowledgment that management rights are "subject to" or are "not to conflict with" other provisions of the contract. The remainder carry provisions which limit the company's right to farm out work to non-employees and to assign supervisors to the performance of regular work.

The contracting out of work is banned or restricted by one agreement out of nine. In more than half of these, contracting is conditional upon specified management guarantees to the union; it is banned altogether in a third of such contracts.

Performance of regular work by supervisors is forbidden or restricted in 37 per cent of present contracts. Only 2 per cent contain a flat ban on work by supervisors, and the number confining such work to a specified amount is little greater. About six contracts out of every seven that deal with the point merely specify the conditions under which work can be done by the supervisors. The regulation of supervisory work is twice as common in manufacturing as in nonmanufacturing.

Contacts with employees on company property during working hours is allowed to union representatives in 28 per cent of agreements, about two-thirds of which are in manufacturing industries. The right of access is restricted, in around half the cases, by the provision that union officials are not to interfere with production. A smaller group limit the number allowed on the premises at any one time. Control over the union label in some specified degree is reserved to the union in 5 per cent of contracts, occurring mostly in apparel, and in retail and whole-

sale businesses. Fifty-two per cent of agreements contain a ban on discrimination for union activity. While such discrimination is illegal under Taft-Hartley, writing a ban into the contract makes claimed violations subject to the formal grievance procedure—an approach which is often preferred to legal action.

A total of 36 per cent of contracts ban various union activities on company time. Thus restricted to nonworking hours are the solicitation of members (24 per cent of contracts); "union activity" in general (16 per cent); the collection of dues (13 per cent); and union meetings (4 per cent). More than one of these restrictions is often found in the same contract. Fairly common is a double prohibition against solicitation and general "union activity."

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.), No. 197, p. 3:2.

WOMEN WORKERS ARE HERE TO STAY!

OVER the past 10 years women have been flocking into the labor market, and industry has been glad to have them all. Now the trend may be shifting. Scattered layoffs and rumors of layoffs have raised the question of what would happen to women workers in a time of low employment.

Some clues to the answer may be observed in a recent report of the Women's Bureau of the Labor Department. Its figures show that close to 19 million women are working outside their homes. About 10 million of them are married, and 5 million have children under the age of 18.

Obviously, any large-scale voluntary retreat of women from the labor market will have to be made by the married women, who presumably have other means of support. Past experience indicates that married women won't be too difficult about such a retreat—unless the cost of living continues high, or earnings fall off to a marked degree.

In the past year, women were repeating their postwar exodus from work. By late spring the total was back under 19 million, as against 19.5 million in 1952. This ebb seems to indicate that married women would rather be full-time wives and mothers, but that they will work to get better things for their families.

Through it all, women in the work force have made a pretty good showing. The Labor Department report denies that they quit jobs more readily than men. Actually, the rate is about the same except in such women-employing industries as apparel, tobacco, and leather manufacturing, where relatively low wages may account for the high turnover.

The work force as a whole is growing older, the report shows. The median age for women workers has risen from 25 in 1890 to 36 in 1950, with most of the change taking place between 1940 and 1950.

The gap between the median earnings of men and women is getting wider —not narrower, as most people think. It isn't that the gap between male and female pay for equal work is getting wider; what pushes down the relative median pay of women is the fact that so many of them, with no special skills, move into the lowest category of jobs.

The report finds little basis for fears

that women might displace men in times of job-pinch. In terms of occupation, the situation isn't too competitive. Clerical and factory work account for nearly half of the feminine job total. About one out of four employed women works in an office; one out of five is in a factory. Competition with men is pretty well limited to the factories, and there mostly on the production line. Few women are in craft jobs, few are laborers. And they're scarce in farm and managerial work.

There are about a half-million unemployed women now, but that only represents 2½ per cent of all women in the labor force. This is a drop from 2 million unemployed women in 1940. But whereas women accounted for only about one-fourth of all unemployed in 1940, they now make up one-third of the unemployed. This small but steady increase in the proportion of women among the unemployed indicates that some of the new female entrants into the work force have come to stay.

—*Business Week*, No. 1263, p. 178:2.

Automation: An End to Job Monotony?

HUMAN BEINGS are the most important factor in any manufacturing plant. You can have up-to-date equipment and a seemingly efficient production setup, but if the morale in your shop is bad, watch out.

One of the places in which discontent can breed and flourish is on repetitive jobs. The deadly monotony of doing a little job over and over again, literally thousands of times, may tend to promote a sense of frustration or some other form of dissatisfaction. Union leaders and sociologists significantly comment that such operations are on a moronic level and tend to make machines out of men.

Whatever can be done to take repetitive operations out of the realm of controversy is all to the good. The best way is to eliminate them altogether. Where repetitive jobs are done by machines, the operator becomes the watcher or custodian of the machine. He gains stature and responsibility and is no longer a human substitute for handling equipment.

Probably no one would argue that a machine operator, with nothing more to do than press buttons and pull levers, is the most satisfied of men. But his task is far easier and more dignified and less susceptible to controversy than is that of the man who goes through repetitive motions all day long.

The automatic factory has much to be said for it. It speeds up production beyond human limits without being harmful to man. More to the point, it benefits man because it relieves him of the drudgery and physical effort stemming from repetitive work. At the same time, it increases his output per hour and justifies wage rates that otherwise would not be economically sound.

—BURNHAM FINNEY in ***American Machinist*** 12/21/53

BABY BONANZA: On January 14, 1953, when the General Electric Company announced it would present five shares of stock to babies of GE employees born on October 15, it anticipated that probably 13 to 15 babies would be born within those 24 hours. Nine months later and a day later—which even obstetricians admit is close figuring—GE employees produced 181 offspring. Thirty-nine babies were born just to GE employees in Schenectady, N. Y., where the normal daily birth rate is 12.

—***Advertising Age*** 10/26/53

Also Recommended . . .

SOME REFLECTIONS ON PROMOTION FROM WITHOUT. By William E. McCauley. *Personnel Administration* (Prince and Lemon Streets, Lancaster, Penna.), November, 1953. 40 cents. The colorful "composite case history" which comprises most of this article is an entertaining vehicle for the author's strong views on executive recruitment. Asserting that a "new breed of business man, the itinerant executive" is coming into being today, he deplores management's common failure to familiarize itself with the talent within the organization, and analyzes the possible effects upon morale and ultimate efficiency of bringing in a new man to fill the vacant executive post.

HOW TO BE INTERVIEWED. By Paul M. Stokes. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), November, 1953. 50 cents. Suggestions on recognizing and capitalizing on the interview opportunities in five basic situations—reporting to a superior, discussing one's performance with him, attending a meeting, being considered for a promotion, and applying for a job. The author stresses that the interviewee with a clear personal objective can often guide the interview to his own advantage.

THE WORKING GIRL. By Margaret W. Zapoleon. *Personnel and Guidance Journal* (1534 "O" Street, N. W., Washington 5, D. C.), Vol. XXXII, No. 2. 80 cents. A detailed and fairly comprehensive statistical picture of women workers today, with some interesting predictions about future supply and demand in the female labor market. By 1975, for example, the Census Bureau estimates that there will be about 29 million women in the labor force, as against 19 million today, while the percentage of younger workers among these will decline.

DIFFICULTIES OF OLDER PEOPLE IN INDUSTRY. By R. M. Belbin. *Occupational Psychology* (National Institute of Industrial Psychology, 14, Welbeck Street, London, W. 1., U. K.), October, 1953. 8s. 6d. Investigating the difficulties experienced by older workers in 32 British manufacturing companies, the author found that even before the age of 40 women experienced some difficulties in learning and adapting themselves to manual tasks involving time stress, particularly when a high degree of sensory and motor skill was required. Once acquired, however, skills appeared to be maintained up to the age of retirement.

A RETIREMENT POLICY — RECOMMENDATIONS AND CRITERIA. By Charles E. Dutchess, M.D. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), Vol. 22, No. 8. 75 cents. The findings and recommendations of a committee of industrial physicians which attempted to establish a valid set of medical criteria for retirement. Reporting the findings of a survey conducted among 103 companies in the course of the project, the author outlines here the general nature of the standards needed and suggests the desirability of psychological examinations for older workers, special physical examinations, and more complete job analyses to determine which tasks they are best fitted to handle.

LEADERSHIP: THE MOST IMPORTANT REQUIREMENT IN PROFESSIONAL RECREATION MANAGEMENT. By Jackson M. Anderson. *Industrial Sports* (Fairfield Publications, Inc., Fairfield, Conn.), Vol. 14, No. 10. 30 cents. Advantages of employing a full-time company recreation director are discussed in this article, which also considers the results of a number of surveys on industrial recreation policies in a wide range of U. S. companies. Examining the question of developing proper standards for industrial recreation directors, the author asserts that personal leadership should be recognized as a prime requisite in coordinating any industrial recreation program.

THERE'S TALENT IN YOUR PLANT. By Eugene J. Benge. *Factory Management and Maintenance* (330 West 42nd Street, New York 36, N. Y.), November, 1953. 50 cents. Aptitude tests given in 10 plants reveal that at least 3 per cent of employees merit promotion, this article reports. Describing how companies can identify these workers, the author emphasizes that an active program of promotion from within can so strengthen employee loyalty and incentive that within a few months of the first promotions, another group of employees will be ready for higher positions.

WHAT IS UNEMPLOYMENT? *Business Week* (330 West 42 Street, New York 36, N. Y.), November 14, 1953. 25 cents. Explains how the Census Bureau derives its monthly employment statistics, which recently showed unemployment at a peacetime low while other economic indicators reported increased joblessness. Discussing the factors that limit the accuracy of the Bureau's surveys, the article points out that the definition of "employed" is necessarily an arbitrary one.

THAT SECRETARIAL SHORTAGE

DESPITE the fact that employers are handing out higher salaries than ever before and coddling white-collar girls with such amenities as air conditioning, free vitamins, and electric typewriters finished in pastel shades, there just aren't enough secretaries and stenographers to care for the nation's business.

The average business-school graduate today has a choice of 12 jobs, according to a nationwide survey. At New York's famous Katharine Gibbs School not only was every member of a recent graduating class placed in a first-rate position; there were 350 job offers left over. In Detroit, the Business Institute's employment secretary said she could easily find 50 jobs for every student who stayed long enough to graduate. The trouble is that eager firms snatch students before they finish the course.

Such competition means good salaries. The average executive secretary in New York gets $84 a week; the secretary with less responsibility, $71; and the stenographer who merely takes dictation, $58. This does not include the little group of super-executive secretaries who receive skyscraping salaries of $8,000 to $10,000 a year. For stenographers without secretarial rating, salaries in San Francisco and Los Angeles are highest, averaging $63 a week; Cleveland and Houston come next, at $61.

Among the more extravagant "fringe" inducements offered by some companies are movies during the noon hour; a terrace for sun-tanning; free tennis lessons; classes in interior decorating, personality development, and horseback riding; and social clubs that feature everything from bowling to dramatics.

What can be done on a practical level to bring young workers into the fold in the years ahead?

Many employers, heretofore reluctant to hire middle-aged women, have come to appreciate the fact that these older women generally have a high sense of responsibility, are no job-hoppers, take an interest in the firm, and have learned how to organize their work. Middle-aged women are also likely to be better spellers, have more than a misty idea of punctuation and grammar, and take fewer days off.

To attract mothers with school-age children, some firms are advertising 10 a.m.-to-3 p.m. jobs. The response has been so good that in New York, Milwaukee and other cities agencies have opened to care for part-time clients exclusively. This development will probably continue after the shortage is over, and be a blessing both to small businessmen and to wives who want to help pay bills or buy a home.

Some employers think that the real answer to the girl shortage lies in wider use of machines. "The office is 30 years behind the factory in the use of mechanical equipment," one expert says. "Only 15 per cent of office work is done by machines, compared to about 90 per cent mechanization in factories."

The dictating-machine business is booming; sales have increased 100 per cent in the past four years. And a new device permits as many as 50 executives at a

time to dictate over their telephones to a central recording station. Only two or three typists are necessary to put the words on paper.

"Before long stenography will be as out of date as the surrey," predicted a midwest executive whose firm uses the device.

Maybe so. But what machine yet conceived can construct speeches for a man out of scraps he has written on the backs of envelopes, rebuild his ego when the front office has stepped on his neck, tell him when to take his thyroid pills, balance his checkbook, buy presents for his wife, and tactfully get rid of the old acquaintance who keeps coming around for business advice?

—Elsie McCormick. *Independent Woman*, January, 1954.

HANDLING THE OFFICE PAYROLL: A SURVEY OF COMPANY PRACTICES

What are companies doing to reduce the cost of preparing payrolls and review their payroll practices? Recently 156 companies in the Chicago area, employing 130,884 employees, participated in a survey conducted by the Office Management Association of Chicago. Among the findings of the study:

Employees in 52 per cent of the reporting companies are paid a fixed salary. Eight per cent of the companies report all their employees are paid hourly rates; 24 per cent pay some of their employees at fixed salary rates and others at hourly rates. Payrolls in 16 per cent of the companies are complicated by the use of several different methods of payment, which include incentive plans, commissions, cost-of-living bonuses, and profit-sharing bonuses.

Thirty-four per cent of reporting companies pay their employees semi-monthly, 28 per cent weekly, and 16 per cent biweekly. The remaining companies report that some of their employees, (usually office people) are paid biweekly or monthly, and the others weekly.

Eighty-nine per cent of all companies use payroll checks, 7 per cent pay in cash, and 4 per cent use both methods. Of companies that have more than 200 employees and pay by check, 77 per cent use check-signing machines. Hand posting methods are used to prepare payroll checks and payroll records in 70 per cent of companies with fewer than 200 employees. Seventy-six per cent of all companies with more than 200 employees use mechanized equipment for this purpose.

Comparison with the results of a similar survey made in 1950 indicates that a large number of small companies are adopting the use of accounting boards to prepare payrolls so that all records may be written at one time. Medium-size and large companies are changing from hand methods to mechanized methods.

Of the companies having 200 or more employees, 42 per cent employ punch-card equipment. Computation of payrolls is made on payroll sheets in 46 per cent of the companies reporting; 25 per cent use time cards; 16 per cent, punch cards; and 10 per cent use a combination of these methods.

Reporting companies have an average of 290 employees per full-time payroll clerk. In 45 per cent of the companies, payrolls are audited before pay is released. This is done by the general accounting department in 30 per cent of the companies; by the payroll department in 22 per cent of the companies; by the treasurer's department in 14 per cent of the companies; by the controller's department in 11 per cent of the companies; by the internal auditor in 10 per cent of the companies; and by miscellaneous departments in 13 per cent of the companies.

Separate bank accounts are used for payrolls in 90 per cent of all companies. Amounts are imprinted a second time on payroll checks by check-protecting machines in 54 per cent of all companies issuing payroll checks. Sixty per cent of all companies have written instructions on the preparation of payrolls.

Too Old to Work?

BUSINESS has found that it's good business to employ older people and those handicapped by physical disabilities. Surveys show that both groups have better attendance records, stay longer on the same job, and have better safety records than the average.

Consider Bankers Life and Casualty Company, whose head office in Chicago employs 3,000 people. No fewer than 780 of these workers—an astonishing 26 per cent—are either more than 60 years old or physically handicapped.

A man with a paralyzed left arm runs the photostat machine at Bankers Life—and runs it efficiently. Fifteen deaf-mute girls are good, highly accurate file clerks. There are women of 75 and men of 77—all working productively.

According to John D. MacArthur, Bankers Life president, the company's success in hiring older and handicapped workers began about seven years ago when a bright-eyed lady of 73 sat at his desk and confidently asked for a job. On the basis of a good sales talk, she got it—not as a charity gesture by the company but with the understanding that she would have to produce. Later, largely because of her sound work record, the word passed down the line: Give handicapped and older people a chance. It was made clear, however, that such applicants were not to be given any special consideration.

"To us," says Mr. MacArthur, "these people are not second-class employees. They're just employees. They are subjected to the same rules and entitled to the same rewards as anyone else. We don't stress their handicaps; we exploit their abilities."

—*Office Executive* 12/53

FAR FROM THE MADDING CROWD: A home for retired secretaries, which will also serve as a vacation resort for secretaries still active in the business world, is currently being planned by the National Secretaries Association, a non-profit organization founded in 1942 to promote educational and professional standards for secretaries. Two years ago the Association—which today boasts 300 chapters—introduced the CPS (Certified Professional Secretary) examinations, which are now held annually in schools and colleges throughout the U. S.

Improving Executives' Telephone Manners

SLOPPY TELEPHONE HABITS are not always confined to the lower-pay brackets. But it's difficult—if not downright embarrassing—to tell management men that their telephone personalities need improvement.

The U. S. Department of Agriculture got good results by handing out a telephone-habits quiz. The quiz used baseball as a theme, had a touch of good humor, and served as a gentle reminder to those who received it that maybe they could improve their telephone manners. It is reproduced in full below.

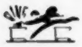
BOX SCORE ON TELEPHONE HABITS

Do you hit home runs, or do you foul and strike out occasionally in your daily telephone relations with the public and with your fellow employees? Spot your weak points on this Box Score.

HOW: Put a check for each question in whichever column to the right under the heading HOME RUN, BASE HIT, FOUL BALL, or STRIKE OUT, best fits your answer to the question.

HOME RUN | BASE HIT | FOUL BALL | STRIKE OUT

DO I REGULARLY:



Promptness

Answer before the second ring?
Return promptly calls received in my absence?

Identification

Answer by identifying myself or my office, not by "hello"?

The run-around

Give caller the information he wants or, if unable to do so, transfer him directly to the person who can?
Instead of transferring calls to others who might also pass the buck, get the information and call back?

Courtesy

Avoid such abrupt phrases as "Who's calling"?
Use such polite phrases as "Please," "Thank you," "I'm sorry"?
Definitely close calls with "Goodbye," or similar phrase?

Voice impression

Sound interested, awake, helpful, friendly, pleasant?
Speak distinctly so as to be clearly understood?
Sound like a member of a human and businesslike office?

TOTALS	___	___	___	___
MULTIPLIERS	9	7	5	3
RESULTS				
SCORE	___			

HOW TO FIND YOUR SCORE: Add up checks in each column to get TOTALS. Multiply each total by number beneath. Then add up the RESULTS to get your SCORE. How do you rate? Over 90—BIG LEAGUE. 80-90—BUSH LEAGUE. 70-80—SAND LOT. Below 70—BENCHED.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.) 11/18/53

POOR LETTERS ARE A LUXURY!

MANY executives who keep a close and constant watch on their expenditures and profits in other lines of operations are completely unaware of the money-making and money-losing possibilities of their daily correspondence.

Rarely does management know with any degree of certainty: (1) how much a letter actually costs, and how much is being spent annually on the daily correspondence; (2) whether it is being handled economically or not; (3) whether letters are building good will—or actually detracting from the company's advertising and the efforts of its men in the field; (4) how to train its staff to write better letters.

The average letter costs $1.50 or more, depending on the salary of the person who writes it. If you are mailing out 100 letters a day, that means you are spending about $26,000 a year on your correspondence—and much of this may be waste.

The average letter is from 20 to 50 per cent longer than necessary. Moreover, from 12 to 15 per cent of all letters written in the average office are so-called "follow-ups" which would have been unnecessary if the first letter had been sufficiently clear and explicit and appealed to the reader's self-interest strongly enough to get him to take the desired action. Finally, from 30 per cent to 90 per cent of the letters being individually dictated in various departments could be handled at a savings in dictating and typing time through the appropriate use of form and guide letters.

Assuming that management wants to do something about improving its daily correspondence, where and how should it begin? For the initial phase, it might select someone who is well acquainted with company policies and procedures, has had some sales, merchandising and public relations experience, and can write a good letter himself. This person should then be given proper authority and backing—for he will have to step on some toes and deflate a few egos to do a good job.

The next step would be to have an extra carbon made of every letter written in your offices over a one- or two-week period. Then have your newly-appointed correspondence supervisor analyze them thoroughly. Here are some of the things he should look for:

The over-all quality of the letters. Which employees are writing good ones, and which poor ones? What are the most common mistakes?

To clarify your letters, the correspondence supervisor may have to work with your legal, technical, or research department, and get their cooperation in simplifying your terminology. He may have to do a real selling job to convince these departments of the value of dropping some of their pet expressions. But unless this step is taken, your letters are apt to continue antagonizing good customers and prospects alike.

The other weaknesses he may find will be more commonplace, for the same kinds of mistake are common in almost every business. Some letters will be too long—or too curt. Others will be involved, repetitious, or tactless. Still others just won't make sense.

The next step in analyzing your correspondence is to determine whether your company's policies and procedures are up to date and well defined. Many ill-advised letters are due to faulty procedures or

lack of clear-cut policies for handling highly involved or delicate situations.

How far you need to standardize and clarify your procedures depends largely on the size and scope of your business. However, experience has shown that most companies need to do this long-overlooked job. Since your policies and the way your employees interpret them affect the quality of your letters, you should give this step more than passing consideration.

Finally, if your firm is like most others, you will unquestionably find that hundreds of letters are being individually dictated on recurring situations. This practice results in the loss of thousands of dollars annually in unnecessary dictation and typing, since most of these situations could be handled just as effectively by guide and form letters.

Form letters cannot, of course, be used in all routine situations; but the use of guide letters is almost unlimited. Since guide letters can be made extremely flexible, the best thing to do is to collect a good number of carbons of letters that have been written on a basic situation. Then, when preparing guides, incorporate whatever variations may be needed. To avoid any errors on the part of the dictators or typists, it would be well to have these variations typed in red.

Since guide letters will not be a "cure-all" for all of your correspondence ills, it may be desirable to have carbons of all letters dictated reviewed at least once a month on a continuing basis, and each correspondent rated. You might even develop your own rating chart.

If properly organized and handled, your correspondence can help you maintain friendly business relations and do much to protect you against the inroads of competition. Good letters, of course, aren't the whole answer. But since 85 per cent of business is done wholly or partly by mail, they are a good part of it.

—From an address by RICHARD H. MORRIS before the Office Management Association of Chicago.

CLERICAL OVERHEAD CAN BE REDUCED!

VERY FEW BUSINESS MEN need proof that their clerical costs have mounted dangerously high. The symptoms are visible in every office—more clerks, more filing cases, more space to accommodate them, more fringe benefits, more burden.

Consider the trend over the past 50 years: In 1900 one clerk was on the office payroll for every 30 workers in shop and factory. In 1935 that same clerk was able to take care of only 10 workers, and by 1950 he was having quite a time keeping up with 2½ factory employees. How—and why—did this happen?

Why has the growth in value of capital equipment per worker (from $210 in 1900 to $1,700 in 1950) so far outstripped that of office machinery (from $70 per worker to $260 in the same period)?

Why did our clerical population grow 350 per cent from 1900 to 1940—five times faster than the population as a whole?

Why is only 15 per cent of office work mechanized, as compared to more than 90 per cent of factory work?

Why did clerical labor costs rise 7½

times from 1900 to 1950, while the investment in office "tools" rose only four times?

The answers to these questions won't be found in the old cliches of business. "Government interference" certainly added to paperwork during the last two decades, but the curve has been consistently rising since 1850—and it hasn't yet begun to level off. "Mechanization" surely will help to alleviate the problem—but machines have been available for years, and costs have continued to mount.

Nor will an arbitrary reduction in paperwork functions help, for the product of paperwork is indispensable—precise management control.

The solution—and there is one—is a deceptively simple generality: *top management interest and support.* The treasurer of one big firm came close to a definition of what's needed when he said recently, "We spent $7 million on product research last year. But not one cent was formally budgeted for 'office research.'"

Until top management opens its collective mind and loosens its pursestrings, the "clerical burden" curve is bound to keep on rising. The president of the New York Life Insurance Company—certainly an expert on paperwork—expressed the solution this way: "Top management must work hard to create an atmosphere of receptivity to change. It is important to make change, or more accurately the consideration of change, fashionable."

—*Management Methods,* December, 1953, p. 9:1.

Ten Ways to Save Paper

THERE ARE probably a hundred ways to save paper. However, here are 10 that will work:

1. Establish control over ordering and issuing stationery and forms.
2. Provide protected space for storing stationery and forms. Losses from inadequate storage facilities and careless handling may run as high as 10 per cent.
3. Survey forms and reports every two years, eliminating those no longer required.
4. Train personnel adequately to reduce waste and spoilage.
5. Establish standards for forms. Quality and order quantity are important, as well as efficient design and economical size.
6. Establish control over the personal use of stationery and supplies.
7. Provide scratch pads. If you don't, employees will use expensive paper or forms for their auxiliary notes and computations.
8. Provide long and short letterhead sizes—8½ by 11 inches for letters of normal length and 5½ by 8½ inches for brief communications.
9. Provide office memoranda for casual internal communications.
10. Use both sides of second sheets for file copies. This saves paper, filing time, and space.

—HARRY L. WYLIE in *American Business* 10/53

HEALTH HINT: Salaried employees of Talon, Inc., Meadville, Penna. have a real incentive to stay healthy. Any unused part of the annual fortnight's sick leave can be added to the following year's vacation. Reduced absenteeism doesn't save Talon any money, but does reduce the dislocations which result from sporadic absences.

—*Supervisor's News Service* (Bureau of Business Practice, New London, Conn.)

Dividends from Teaching Teachers

THERE'S NO DOUBT that company-sponsored courses in business techniques are helpful to those who teach business subjects in the schools. But often the benefit to the company must be charged off to good will.

Unlike most programs of its kind, the teacher-training program of The Valley National Bank of Phoenix, Arizona, is worth money to its sponsors. Designed by the bank's personnel department to develop a good percentage of the city's high school graduates into competent job applicants, it has been conducted with the close cooperation of local schools since its inception in 1951. This year, for the first time, four other Phoenix firms joined in the program.

Basically, the plan is simple. High school teachers of business subjects are brought into the bank during summer vacations for an intensive course in banking techniques. They watch and work beside stenographers, bookkeepers, clerks, and employees in every category. They confer with supervisors and department heads and learn what qualities and skills the bank seeks in potential employees.

Then the teachers return to the classrooms to instruct their students in practical, business-tested ways of doing things. The result is that, when their students appear as job recruits at the Valley Bank personnel office, they have already had their "basic training."

—J. E. PATRICK in *Banking*, Vol. XLVI, No. 3

Also Recommended • • •

THE PROTECTION OF VITAL CORPORATE RECORDS. By Harold F. Russell. N. A. C. A. *Bulletin* (505 Park Avenue, New York 22, N. Y.), January, 1954. Section I. 75 cents. An account of the program adopted by Eastman Kodak Company for the protection of its vital records against catastrophe, with particular emphasis on microfilming methods. The author classifies the various types of records, principally according to balance-sheet classification, and outlines the specific procedure used for each type. In deciding whether to preserve a given record, the company applied this test: Will it be needed to determine the financial value of an asset which might remain after a catastrophe, to arrive at the amount of loss suffered, or to provide essential data for rebuilding?

"OLDER" WOMEN AS OFFICE WORKERS. *Bulletin* 248, The Women's Bureau, United States Department of Labor. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 64 pages. 25 cents. A glance at the "want ads" is sufficient to show the prevalence of age restrictions in office work. And yet, as this report demonstrates, a relatively short training program or a brief series of "refresher" courses is all that is needed to supplement the short supply of office workers with competent older women. The report describes the training programs that have been used successfully in a number of communities as a means of expanding the available white-collar labor force and the excellent results that have been achieved on the job by older office workers.

COMPUTERS GO COMMERCIAL—BY DEGREES. *Business Week* (330 West 42 Street, New York 36, N. Y.), November 21, 1953. 25 cents. Industry is at last getting its first real crack at the electronic brains, which hitherto have been largely restricted to high-priority government uses, this article declares. While there is a backlog of industrial orders for electronic computers, and delivery may take a year on some models and up to five years on others, companies with large paper-work operations should consider their installation now.

TESTING AS APPLIED TO OFFICE WORKERS. Office Executives Association of New York (33 West 42 Street, New York 36, N. Y.) 16 pages. $2.00. Based on a survey of the practices of 300 companies in the New York area, this report indicates that more than one out of three companies systematically uses tests in the selection and/or promotion of office workers and that tests are used by a large majority of companies having 500 or more employees. Breaking down the data by company size and trade groups, the report summarizes findings on types of tests or test batteries given, administration of tests, and evaluation and use of results.

PUTTING COLOR TO WORK IN YOUR PLANT

INDUSTRY NO LONGER needs to be sold on the advantages of color in the plant. But in their zeal to put color to work, many companies have lost sight of some basic principles in color application.

As a result, industry is spending money foolishly for plant painting. Also, its color schemes are not accomplishing what they should in reduced accident costs, lower production costs, reduced labor turnover. Color that does not improve worker attitudes or performance is a luxury and a vain expense.

What mistakes, specifically, are being made—and what can be done about them?

Too much color. Color is functional either when it helps the worker to see better or with less fatigue, or when it makes him see an object more clearly for his safety. But when there's an overdose of it, he doesn't see the significant things he should.

If, as is recommended, yellow is used to highlight hazardous objects, it should be limited to those objects. If red is to indicate fire extinguishing equipment, use it for that function only.

There's a simple rule you can follow to avoid over-use of color: Use color only where you want people to look for specific things.

It's a common mistake to paint bright colors on unimportant things. I once saw a toolroom that looked like a sideshow; the toolkeeper had painted the edge of every drawer orange, because he had once bumped his head on one.

Wrong color. Which color you use, and where, depends upon its purpose. Color has emotional appeal as well as esthetic value and the power of attracting attention.

For example, brightness stimulates the autonomic nervous system of the body, and is appropriate for the muscular activity required in machine shops, erecting shops, foundaries, and the like. A softer environment removes distraction from the field of view and is appropriate for difficult seeing tasks and the mental effort required in fine parts assembly, inspection, etc. These facts, supported by medical research, spell the difference between functional color and mere decoration.

Smart use of color can trim your lighting bill. As a rule, overheads and ceilings should be white. Wall tones should reflect between 50 and 60 per cent, equipment and machines 25 to 50 per cent, and floors 20 per cent. When these conditions are not properly engineered, management often resorts to excessive illumination, which is not only needless but unreasonably expensive.

Too many colors. Needless waste often occurs in paint inventories for maintenance purposes. In the average plant, requests for the purchase of paints may come from numerous sources, and every department may want its own color scheme.

The answer to this, of course, is simplification of finishes and standardization of colors. The maintenance painting code

of the U. S. Navy and Coast Guard, for example, requires only 24 colors for painting all types of buildings and machines and for safety purposes. This control offers advantages of (1) lower prices in larger volume purchases, (2) savings in inventory investment, and (3) lower labor costs in stocking, handling, and application.

Other approved color standards can also help you decide what colors to use for various purposes, such as accident prevention, traffic control, identification of piping. Also, leading paint manufacturers suggest general color codes.

Color painting will pay larger dividends in one phase of application than any other—accident prevention. Reductions in accident frequency are most easily traced to very simple applications of color on surface hazards and machines.

To paint your plant wherever the safety code recommends costs 10 per cent of the total cost of color painting. To paint machinery according to the code costs 15 per cent. Yet these two items, adding up to only 25 per cent, can account for 90 per cent of the potential reduction in accidents. Thus, the best approach to a color painting program, from a safety viewpoint, is the machinery and surface hazards.

Whatever color standards you adopt, should be rigidly adhered to, especially in accident prevention. Once workers learn the meaning of color signals and rely on them, your accident frequency rate will plunge. But if you make the mistake of confusing those signals by too much color, wrong color, and color in the wrong places, you've defeated your program and wasted your money.

You'll get the most out of your color painting program if you select colors for their scientific value and apply them uniformly—but only where they ought to go.

—FABER BIRREN. *Factory Management and Maintenance,* February, 1954, p. 110:3.

Instrument Men—A New Industrial Craft Group?

THE CURRENT TREND toward automation is bringing about the emergence of what might be termed a new craft group in the plant maintenance department: the instrument men who adjust and repair controls on equipment. This trend, a comparatively new one, promises to be of greater importance in the future.

Of 51 companies with instrumentation replying in a recent survey conducted by Deutsch & Shea, Inc., 28 had already set up a separate classification for instrument men, and four others had separated electronics men from the electrical craft.

The majority of companies pay a first-class instrument man a rate equal or comparable to that of any top craftsman. Differentials may, however, be wide. In some cases instrument men get considerably more, and in others considerably less, than electricians and machinists. For example, one firm which has no electronic controls, and uses instrument men only for work on "Esterline charts, gauges, alarms, etc.," pays them 22 cents an hour less than the machinists. In cases of more complicated equipment, instrument men may get 20 or 30 cents more an hour than other top craftsmen. In between are companies with differentials ranging from 3 to 11 cents.

Training of instrument men takes a variety of forms. Employees may be sent to schools conducted by the suppliers of the equipment for periods ranging from one week to six months; the training may be of the on-the-job variety with help from suppliers' representatives; or there may be a formal apprenticeship course.

—*Personnel Executives' Newsletter* (Deutsch & Shea, Inc.) 12/30/53

Safety Engineering Comes of Age

NOT TOO MANY years ago, accident prevention in industry was sadly neglected. Today, this former step-child of industry has emerged as a vital part of industry's planning and the safety engineer has become recognized as an important part of the management team.

Facts and figures bringing out this change of status have been reported by the Society for Advancement of Management in a pamphlet analyzing the responses to questionnaires submitted to some 1,000 members of the American Society of Safety Engineers.

Of the safety engineers replying in the survey, about 44 per cent report directly to a member of top management—president, vice president, general manager, finance director, or works manager. The rest report directly to a member of operating management—plant engineer, production manager, factory superintendent, or industrial relations director.

Significantly, frequency rates and severity rates of lost time injuries, used as a basis for measuring the efficiency of accident control-efforts, are considerably lower in those plants where the safety engineer reports directly to a member of top management. This finding reflects the importance placed by management in the safety program.

The median respondent in the survey, it was found, has had three years of college training, supplemented by a year of specialized safety training in an accredited college or university. He has spent 11 to 12 years in industrial safety engineering work. His salary is between $6,000 and $7,000 per year, and he guides the safety program in a plant or branch employing 1,100 persons, with a lost-time injury frequency rate of 7.5 and a severity rate of 0.58.

—*Supervision* 1/54

Deafness and Industrial Din

JUST HOW LOUD a racket can a worker's eardrums take? That has become a pressing question for management as industrial clamor has gone steadily from bad to worse.

Recently the Workmen's Compensation Board of New York State did some trail-blazing when it adopted a set of standards on the relation between deafness and industrial noise to guide it in settling claims.

The board made four key points:

1. The danger limit is 90 decibels; clatter ranging from 90 db to 100 db may permanently harm the hearing of a few very susceptible people if they're exposed for many years.

2. An over-all din of 100 db to 120 db for several hours daily over a long period of time can permanently damage hearing of a considerable proportion of workers.

3. Most people exposed to noise at levels above 120 db for several hours daily will suffer permanent damage to their hearing in a matter of months.

4. The board will not consider permanent impairment cases until the claimant has been away from his work for six months.

These standards, first to be spelled out by a state compensation board, are based on recommendations of a committee of five specialists that spent better than a year studying the problem. But there are already rumblings in scientific circles that indicate the rulings won't go unchallenged. Some acoustical experts claim that individual susceptibility to noise and ability to recover from it vary too much to set arbitrary levels.

—*Business Week* 12/19/53

"Human Nature"—Safety Hazard No. 1

MANY WORKERS make their own accidents, according to safety experts who have pored over the accident causes at plant after plant.

Here's a chart that shows how workers contribute to their own fall. It may come in handy for your own safety campaign in the shop:

PEOPLE ARE SHOW-OFFS

They dress "flashy"—long neckties, loose-flowing shirts, fancy finger rings. That's why accidents are "catching."

They think safety shoes and goggles are beneath them. But the safe worker is not lame or blind.

They like to attract attention by distracting the attention of others. Fighting, wrestling, throwing things, and other forms of horseplay should be strictly taboo.

PEOPLE ARE LAZY

Often workers aren't sure of the safe way to perform new jobs—but they go ahead anyway, without asking their foremen.

They see hazards and defects in lighting, wiring, floors, ladders, tools and machines—but it's too much bother to report the conditions.

They continue to use worn-out tools and equipment—instead of exchanging them at once.

They don't notify the company of changes in address and don't fill out forms properly. Then, when they're sick or have an accident, they wonder what's wrong with the records.

PEOPLE ARE NOSY

They "visit" around the shop or saunter into other departments. Often they leave machines running—or violate the safety rules of other departments.

They love to touch loose or misplaced electrical wires, and investigate power houses and sub-stations to see what makes them "tick."

They have a trick of playing around with compressed air—such as "washing off" their hands with it. The air can enter the body, with damage to hearing and other serious injury.

They fuss around with machines, cranes, tractors, and elevators—and mind everybody else's business but their own.

PEOPLE ARE HURRY-UPPERS

They start machinery without looking to see if others are around.

They remove guards without the foreman's permission—or forget to shut off the power.

They scoot upstairs instead of walking—or hop on moving elevators.

They use barrels, boxes, kegs, and other tottery material for ladders—anything but bona fide ladders.

—*Foreman Facts* Vol. 9 No. 21

SOAP AND WATER: Employees on dusty and dirty jobs are required to take a shower a week on company time at the Electric Storage Battery Co., Philadelphia.

—LAWRENCE STESSIN in *Mill & Factory*

DESIGNING SAFETY IN—AND ACCIDENTS OUT

As recently as 1947, the Foundry Division of Eaton Manufacturing Company (Vassar, Mich.) had an accident frequency rate of 33.3 and a matching severity of 4.33. In contrast, by 1952 the frequency rate had dropped to 14.78 and the severity rate to .08—far below the national average for plants of this type.

This spectacular improvement was achieved through a safety program that grew out of painstaking, coordinated effort by Eaton officials. A major part of the program is directed toward employee education, effective supervision and daily contact of supervisors with employees. This is supplemented by systematic reporting on safety activities.

To ascertain the chief accident causes, Eaton staff people analyzed accident experience at the plant. Other than personnel failure, common sources of accidents had included inadequate electrical equipment, lighting, ventilation, and materials handling equipment. After taking steps toward modernization of facilities, improved storage and housekeeping, modern handling equipment, good lighting, and scientific use of color, they concentrated on a program of education and enforcement.

Setting up an effective chain of command was the first step toward the goal. The educational side of the program began with the company's industrial relations staff. From here it descended through the general manager to the foundry's safety director and the factory manager of the Foundry Division; then, through his 40 supervisors, to the workers. Enforcement begins with the factory manager.

The safety director holds frequent meetings with all supervisors, during which problems are aired and new procedures stressed. At these meetings, hazards arising from materials used by the division are discussed.

During these meetings, the safety director also exhibits safety films and other visual aids. He also acquaints supervisors with current division accident and compensation rates and other facts, stressing current records and comparing local experience with that of other Eaton divisions and the industry as a whole.

In addition to basic safety instruction, supervisors are briefed on safe handling, storage, and housekeeping practices, and on other general plant activities whose effective administration contributes to over-all safety.

Specified procedure for the safety indoctrination of new employees is as follows: First, the employee receives a complete physical examination, including x-rays. Following his write-up in the employment office, he meets the safety director who explains the safety program in detail, sells him a pair of safety shoes, and fits him with the type of eye protection required on his job. In addition, rules and first-aid procedure are explained, and the new man is given a safety booklet. He is encouraged, of course, to ask questions.

The employee is then taken to his supervisor, who explains specific safety problems of the department. Thus, the foreman-workman relationship gets off to a good start.

Registered nurses in the first-aid dispensary provide a vital link in the program. In addition to counseling employees on health matters, they keep daily health records and see to it that employees

and supervisors complete accident investigation and other forms.

Every disabling injury is case-numbered and a special report is published immediately by the safety department. All supervision, service departments, and staff members get a copy of this report, which details the case and recommends preventive measures based on investigation.

A monthly injury report, published in three sections, records the total plant performance, a breakdown of departmental cost, and a specific injury compilation. This report shows performance as compared to an established standard of operations for the month and year to date, as well as for the previous year.

The engineering and maintenance departments are working constantly with the safety department. Their theme is: *Design safety in and accidents out.*

The benefits from monthly meetings are relayed from supervisors to workers largely by personal contact. Supervisors stress the personal angle—the loss to the individual and his family which is not covered by compensation.

Two-way channels of safety communication are constantly kept open, based on the foreman-worker relationship established when the employee began work in the department. The plant suggestion system is a valuable source of practical safety ideas.

Modern safety equipment is provided for the entire plant. All workmen are supplied with goggles free of charge. Constant education and supervision make sure that they are used. Safety shoes, made available at cost through the dispensary, may be purchased by payroll deduction. Gloves, mitts, leggings, etc., are furnished free of charge.

An important contributing factor to the plant's low frequency and severity rates has been a constant campaign for cleanly swept aisleways both inside and outside the plant. Another aspect of this good housekeeping program is the restriction to designated areas of stacked skid bins.

The Foundry Division's safety program is as exacting as the operation of any production department for which standards and goals are established and low cost must be realized. Eaton officials do not lose sight of the fact that a safety program, properly and sincerely administered, can produce real profits.

—*National Safety News*, January, 1954, p. 20:8.

Obsolete Production Equipment—A Survey

ON THE AVERAGE, about 28 per cent of American production equipment and manufacturing processes are either obsolete or inadequate, according to the findings of a survey conducted by the American Society of Tool Engineers.

An interesting feature of returns from the survey is variation in the proportion of obsolete equipment reported by plants of different size. For instance, the highest—42 per cent, for grinding and finishing equipment—was reported by the largest plants (employing over 5,000 persons). On the other hand, plants with fewer than 250 employees reported that 38 per cent of their production welding equipment was obsolete. In the largest plants, 41 per cent of machining equipment was obsolete, in small plants 28 per cent; for materials handling equipment the figures were 30 per cent and 33 per cent, respectively.

—*Steel* Vol. 133 No. 17

Who Are the Accident Repeaters?

OF TWO GROUPS OF 100 automobile drivers studied in Canada, one group had been involved in four or more accidents, the other in none. When their names were submitted to various legal and social service agencies it was found that 60 per cent of the accident repeaters had been in various other difficulties, as against only 9 per cent of the accident-free group.

The credit bureau knew 34.3 per cent of the repeaters, 6 per cent of the accident-free; social service agencies knew 17.7 of the repeaters, 1 per cent of the non-repeaters; the adult courts, exclusive of traffic violations, knew 34.3 per cent of the repeaters, only 1 per cent of the others; and even the public health clinic knew 14.4 per cent of the repeaters, but none of the accident-free group.

Follow-up studies over two or three years have shown that these people tend to continue their poor performance. Authors of the study concluded that a poor accident record was only one manifestation of an inadequate "method of living."

—*The Insurance Index* 1/54

Also Recommended • • •

LET'S SCRAP OUR CURRENT DEPRECIATION REGULATIONS. By Roger F. Waindle. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), December, 1953. 50 cents. In the author's opinion, our present amortization and depreciation regulations regarding capital equipment should be completely scrapped, since they do not recognize the types of obsolescence that commonly arise through technical improvements in similar tools and the obsolescence of processes or product design. Unless some drastic reforms are enacted soon, he warns, manufacturers will be discouraged from adopting automatic processes.

WHEN SELLER IS LIABLE ON WARRANTY. By Leo T. Parker. *Purchasing* (205 East 42 Street, New York 17, N. Y.), November, 1953. A comprehensive discussion of the law on guarantees, covering both new and used merchandise, from the buyer's point of view. The author also cites significant court decisions and cites typical cases to illustrate his points.

BUICK'S NEW ENGINE PLANT. By Dwight G. Baird. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.) December, 1953. 50 cents. The V-8 engine plant which was completed by Buick Motor Division of General Motors at Flint, Michigan last year has been characterized as a model of mass-production technique and just about the last word in automation. This article describes the automatic plant and machinery which has increased the engine division's capacity by 50 per cent of its former peak output.

SAFETY PROGRAM FOR INDUSTRIAL TRUCK OPERATION. By W. A. Meddick. *Pacific Factory* (709 Mission Street, San Francisco, Calif.), December, 1953. 50 cents. Outlines 28 suggestions for realizing the economies inherent in modern industrial trucking equipment and cutting down accidents caused by improper operation of trucks. The article stresses the importance of educating drivers through driver-training schools or by briefing combined with practice on an obstacle course.

HOW TO SHRINK YOUR PRODUCT TO EXPAND YOUR SALES. By Annesta R. Gardner. *Dun's Review and Modern Industry* (99 Church Street, New York, N. Y.), January, 1954. 75 cents. Products that have been reduced in size and weight sell better, many manufacturers have found—particularly in the field of appliances, tools, and machinery. This article describes and illustrates many successful cases where manufacturers have made little changes that added up to big savings and bigger sales.

USE DETERMINES SELECTION OF MATERIALS HANDLING EQUIPMENT. By E. L. Cady. *Purchasing* (205 East 42 Street, New York 17, N. Y.), November, 1953. Since, as the author estimates, materials handling represents anywhere from 20 to 80 per cent of production overhead, selection of the most suitable equipment for any particular handling purpose is a critical cost factor. This article reviews the various types of handling equipment available, and its uses and limitations, under the following major classifications: industrial trucks, skids, pallets, and trailers, and belt and roller-type conveyors.

Marketing Management

CAN SALES MANAGEMENT SOLVE ITS HUMAN PROBLEMS?

SUMNER J. ROBINSON
Vice President for Sales
Bigelow-Sanford Carpet Company

ONE FACTOR in the sales management equation that must never be overlooked is the human element. In a very real sense, this is the most important ingredient of them all.

True, the human element is a problem common to all areas of management; but it is a far more crucial element in sales management than in management as a whole. This is so because of the inter-personal nature of selling. Salesmen are not machine operators; nor are they office workers. Their production work must be done face to face with the customer. Nowhere else do such large dollar stakes ride on a state of mind! Nowhere else can non-routine creativity pay such big dividends.

At some time in his career, every sales executive encounters men who are "just putting in time on their jobs." Men who are bored, cynical, uninspired. Men who have capacities and potentialities that are wasting under the blight of frustration. Allowing human resources thus to corrode is more reprehensible than failing to take proper care of the machine at the factories. The difference between a man "just going through the motions," keeping his nose clean, as it were, and the man who has a mission, to whom each day is an adventure, who is filled with a burning inner drive to succeed—that difference is like the difference in a searchlight before and after the switch is thrown!

If a man isn't doing a job, we owe it to him and the company to tell him so, and to show him the better way. If he is incompetent, the fair thing to do is to fire him promptly. What we must not do is to pussyfoot; to temporize; to waste his time and our own by breathing down his neck and looking over his shoulder because we don't have confidence in him. Nothing will quench a man's will to work faster than this pernicious psychological warfare. It is the curse of every big organization and of many small ones. Wherever bureaucracy and politicking have crept in, the result is a gradual emasculation of every man's ego until his picture of himself becomes faded and stained.

Another problem area involves salesmen over 50. Take the case of the salesman who in past years has been exceedingly productive and, by any yardstick, has carried his own weight. Then, suddenly, management wakes up one morning to the fact that this man's boat has sailed. Whether he has slipped suddenly or whether his performance has deteriorated over a period of time is unimportant. The question is, what happens to him? He may be still 10 years away from normal retirement age. He has done noth-

From an address before the AMA Management Course.

ing wrong; it is not his fault that he is "burned out" prematurely. Selling is a fast track nowadays.

But, based strictly on traditional business practice, there is only one course of action open to management: Separate that salesman and replace him. Salesmen are paid to produce at a given rate; when they fail to do this in accordance with rated territory potential, and fail to measure up competitively with the rest of the sales organization, they are no longer earning the money we pay them.

Of course, there is a possibility that the salesman's replacement could improve the performance of the territory to such a degree that, in addition to paying the new man's salary, the company could give "early retirement" instead of "separation" to the replaced salesman. But can the humane company that gives a man early retirement afford this extra cost burden and stay competitive with the company that simply separates the weak links and replaces them with capable salesmen? Can you afford to give your competition any advantage?

The personnel problem I have outlined is of increasing frequency and intensity, and most organizations today are faced with it. Since the war there have been many significant developments in retirement programs and other compensation devices which have lessened the shock of financial readjustment at *normal* retirement age. However, in sales organizations in general the rate of "obsolescence," or the speed at which men mature and pass their prime, appears to be faster than in most other occupational groups. This would seem to be the result of the constant pressures of "meeting the public," of the long hours, of the combination business and social activities that are frequently demanded, of heavy travel schedules, and of the competitive forces and "home office" pressures which come to their sharpest focus in the sales arena.

There appears to be no established pattern in business today for handling these "burned out" salesmen cases. But the problem is of critical importance, and the need for an equitable solution is urgent. One approach that might merit exploration would be for companies to set up a program so that "human obsolescence" is budgeted for in the same way obsolescence in machines and other capital investment items is budgeted for now.

In order to attract real talent into the sales field, you must provide not only incentive programs for immediate compensation but also some security for the years when your salesmen are less productive and when the over-all best interests of the company might be better served if they were completely out of the picture. We cannot dump "over-the-hill" salesmen into the ash can—and hope to induce keen, able young men to enter the pipeline at the other end!

After reviewing the data which is available to us from other companies, we at Bigelow are now considering a plan based on the following basic assumptions:

1. Our company cannot afford, from the point of view of sound industry, public, and employee relations, to separate *on a routine basis* men in their late 50's and with long years of service.

2. We cannot afford to separate anyone of this type for whom there exists a reasonable opportunity to perform productively on a necessary job with the company.

3. The company should provide a financial basis for such individuals which

will assure that "hardships" are no greater than they would be in the case of retirement at 65.

We must never forget that the wine is more important than the vessel. The organization is a means to human ends, not the end in itself. We have it in our power to unleash prodigious amounts of productive energy, if we but search out the rules of human dynamics and apply them properly. Herein lies the key without which the most imposing assembly of modern tools of management will remain a lifeless museum exhibit.

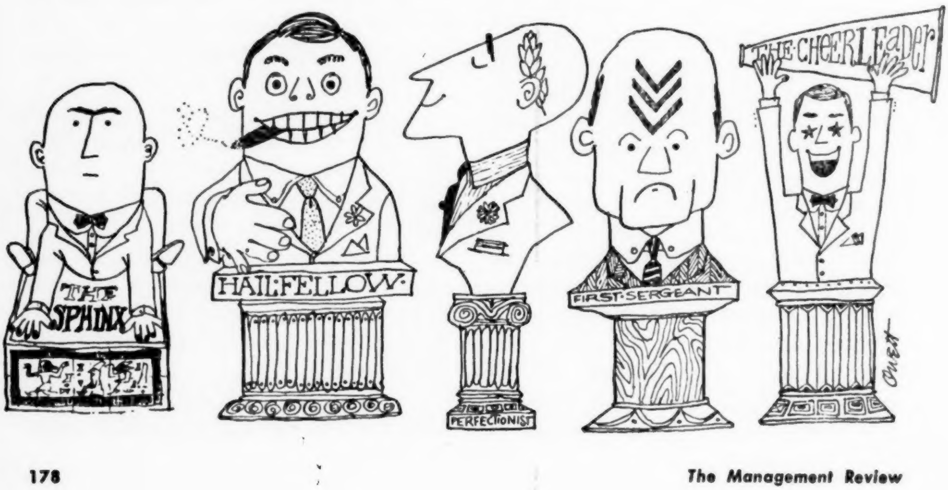
BAD BOYS OF SALES MANAGEMENT

JUDGED BY their actions, attitudes, and mannerisms, many sales managers lack the temperamental traits and resources they need to head up a sales organization. As a result they inspire little more than frustration, anguish, and—more materially speaking—high turnover among the salesmen they direct.

Ever try to "type" the bad boys of sales management? They include these five distinct personalities, all of them too well known to long-suffering sales forces:

1. *The Perfectionist.* In his day as a salesman this man was a whirlwind. To him selling came naturally, like breathing. Energy, enthusiasm, drive, forcefulness, dominance—he lays claim to all the "aggressive" selling traits you might name. But as a sales manager he has one fault—a serious one. He demands 100 per cent perfection from his men. To complicate matters, he doesn't know how to get it. He prods, scolds, needles, lectures.

Result: His not-so-perfect salesmen grow discouraged. Their discouragement leads to lower productivity—which leads to more prodding, scolding, needling, lecturing. Then productivity skids even lower; and eventually the Perfectionist will have to choose between a drastic change in his own methods and attitudes and virtual mutiny.



Which choice will you make, Captain Bligh?

2. *The Sphinx.* This type bases his philosophy of sales management on the theory: "Keep 'em in the dark. What they don't know won't hurt them."

The Sphinx withholds news, tips, ideas and market data from his men. He rarely takes any of them into his confidence about over-all results. Plans, even purely routine ones, are all very hush-hush. The Sphinx never consults his men before making up his mind—so they "excuse" his wrong decisions with "don't-ask-me-I-just-work-here" comments.

Worst of all, the Sphinx rarely tells his men where they stand. He answers their questions with mumbled double-talk or stony stares. Neither praise nor criticism crosses his lips. So resentment and frustration pile up, while respect and sales dwindle.

3. *The Hail-Fellow.* Most people like the Hail-Fellow. Socially, he's a big success. In business, though, a superabundance of hail-fellow traits can trip a man up. The sales manager who boasts that he's just one of the boys may command no more respect than one of the boys—because he fails to recognize the hairline difference between just being friendly and being overly friendly. Some of his men mistake his friendliness for a tendency to show favoritism. Word gets around that "knowing the boss" will bring greater awards than an excellent sales record. "Buttering up the boss" suddenly becomes everybody's favorite pastime. Emphasis changes from selling the product to "selling yourself"—to the boss. And the Hail-Fellow attitude has backfired.

4. *The Old Army First Sergeant.* Here's a two-fisted, desk-pounding martinet who won't take no for an answer. He rules with the heavy hand of fear. "I don't get ulcers, I give them," he says proudly.

Things must be going all right, he thinks, "because my men never complain." Truth is, most of them never even bid him the time of day; they're afraid to. He seems completely without tolerance, understanding, sympathy or kindness. He inspires rebellion and failure. His strongest men finally quit. The others sell less and less, until he has to fire them.

5. *The Cheerleader.* This man specializes in sales management by hoop-la, histrionics, and hysteria. He shouts, rants, raves, runs the emotional gamut to spark his organization. He pleads, like a high school football coach between halves, "All right, men, let's get out there and sell for dear old Dull Tool Company!"

Sometimes his men actually do get fired up in the presence of all this showmanship, personality-plus, and pure corn. Trouble is, the Cheerleader is so busy starring in his one-man show he doesn't have time for things like sales training, organizing, or planning. So when his men face a prospect the fire has burned out. All they're really left with is a "why don't you *buy* from dear old Dull Tool Company?" approach, which isn't likely to impress the prospect.

If these word pictures come close to describing areas of your behavior as a sales manager, better take heed; your salesmen probably deserve a better shake than you're giving them. Try another tack and see if it doesn't pay off in sharply increased productivity. You'll be glad you did—and, equally important, so will your salesmen.

—Jim Robinson. *Sales Management,* Vol. 71, No. 10, p. 30:2.

Sizing Up Tomorrow's Market

THE MARKETING REVOLUTION may have started with the automobile. It includes the blacksmith shop and the super-service station; the corner grocery and the super-market; the general store and the chain store. And it continues with vending machines or robot shopping—self-service or self-selection. The consumer believes that he can sell and serve himself better than a salesman can. The consumer likes the idea—and what he likes and demands your retailer and/or mass distributor had better give him!

America is going suburban at a rapid rate. A study of 32 metropolitan areas showed that in the central cities of 27 of these areas the number of retail stores had decreased by as much as 20 per cent. Increases in the number of retail outlets in the suburbs, however, were as great as 67.5 per cent.

This movement to the suburbs means more automobiles, more mileage per car, and more multiple car families. I leave to your imagination what it means in terms of automotive home workshops, sporting goods, lawnmowers, garden tools, casual clothing!

Still another part of this revolution in retailing has to do with population trends. Married couples today are having more second, third, fourth, and fifth children. There are 90 per cent more second children per family, 85 per cent more third children, 60 per cent more fourth children, and 15 per cent more fifth children today than in 1940. Today we have 65 per cent more children under 5 years of age and 50 per cent more between 5 and 9 than in 1940.

The mother of this large family in suburbia wants her family to dress well. She wants harmony in her home decorating, and cannot afford your interior decorator. Plumbing, painting, electrical work, wall and floor tile, car service, and what have you—all feel the influence of this desire and need for "do it yourself." What are you doing about this phase of our revolution?

—CLARENCE C. CHOYCE (Retail Sales Manager, Sears, Roebuck & Co.) in an address before the Newspaper Advertising Executives Association.

Supermarket Shopping Habits Today—A Survey

NEW FACTS on the peak shopping days, the peak hours of each day, and the number of men and women shopping have been disclosed by a survey recently completed by Gruneau Research, Ltd., for Maclean's Magazine.*

The survey comprised a store count of 102,347 shoppers and 1,019 personal interviews in food markets. Sixty-four per cent of the food shoppers, it was found, are women. Friday and Saturday are the busiest shopping days, with more women shopping on Friday and more men on Saturday. Store traffic in the morning is heaviest between 10 a.m. and noon, and between 4 and 6 p.m. Stores open Friday evenings are busiest from 7 to 8 p.m.

The majority of purchases are planned. Of a total of 4,898 items purchased, 61.5 per cent were previously planned, 28.4 per cent were bought on impulse, 9.5 per cent were planned but not specified, and 0.6 per cent were substitute purchases. Only 44.4 per cent of shoppers use a written shopping list.

More than 46 per cent of the women interviewed had made a decision as to the brand they intended to purchase, while 45.1 per cent of the men noted brand preference. In 5.4 per cent of the cases, the brand was purchased because of coupons, special deals or sales, free gifts, or lower prices.

—*Marketing* 11/7/53

* *How People Shop Today*. Available from Maclean-Hunter Publishing Co., Ltd., Toronto, Ont.

THE WONDERFUL, ORDINARY LUXURY MARKET

PROBABLY NO change in the changing American market has been more spectacular, pervasive, or significant than the ability of a great and growing number of Americans to buy what were considered luxuries by their fathers and even by themselves only a generation ago.

People now buy luxuries not in periodic sprees but in the course of ordinary shopping, almost as they buy their groceries and gasoline. And they consume those luxuries not in intermittent accesses of sheer self-indulgence, but as adornments and even aids to ordinary, temperate living. All save the rarest luxuries are becoming merely necessities that are less necessary than others.

Manifestly, anyone who wants to measure the luxury market must take a pragmatic view of what a necessity is. Rather than define the luxury market in terms of products, he finds it more illuminating to define it in terms of the money available to buy things that are not "bare" or "conventional" necessities.

It seems reasonable to assume, as *Fortune* has done, that family units with less than $4,000 a year after taxes have no luxury income to speak of—and that, above this figure, the amount people spend on things other than luxuries rises as their income rises. This approach manifestly involves a variable definition of "luxuries" and "necessities"—and, in fact, nothing less will do.

Clearly, the ratio of luxury spending to "necessary" spending rises with income. It is possible to estimate the average amount family units in each income group have left over for luxury spending, and thus to calculate the approximate size of the whole luxury market.

Of the 52 million family units in the U. S., 23.2 million have $4,000 or more a year after taxes and get $160 billion, or 72 per cent of the total income. Of this $160 billion, about $34.1 billion (15.3 per cent of total income) may be classed as luxury income. (That $34.1 billion is roughly equal to the whole national income of the United Kingdom.)

Since 1929, luxury income as a percentage of total income has undergone a moderate decline, from 19.7 per cent to 15.3 per cent—the result of high income taxes and the redistribution of incomes that occurred after 1933. However, total luxury income is now nearly 50 per cent greater than in 1929 ($34.1 billion against $23.5 billion in constant, 1953 dollars)—the result of rising population and real income.

But most important, by all odds, is the spectacular change that has occurred in the distribution of the nation's luxury income. Today there are less than one-fifth as many family units with more than $100,000 after taxes as there were in 1929; they account for only one-sixth of the aggregate luxury income they accounted for in 1929, and this amounts to only 3.8 per cent of national luxury income, as against more than one-third in 1929.

The heart and body of the luxury market, the source of both its growth since 1929 and its strength today, are the groups with $4,000 to $25,000 after taxes. These now account for $27.5 billion, or 80 per cent of the nation's total luxury income, against only $9.3 billion or 40 per cent in 1929; and they account for 23 million family units, against 7.1 million in 1929.

A family with $5,000 after taxes obviously cannot afford to spend as much

on any one luxury as a family with $20,000 after taxes. The important consideration for marketers, however, is not how much a family can afford to spend on one luxury, but how much it habitually spends on specific luxury items. Considered in such terms, the bulk of the American luxury market today is remarkable not for the fact that it contains many levels of income but that people on those levels buy luxuries common to all.

In the old days when the luxury market consisted mostly of the very rich, the list of luxury products was heavily weighted with very expensive items like steam yachts, private railway cars, movie actresses, hunting lodges, and so on. But as rising productivity and redistribution of income expanded the middle class, the demand for medium-priced luxuries expanded, and entrepreneurs jumped into the business of supplying them. The more they supplied, the greater the market grew, and the more attractive their products became—and the more they supplied. At about the same time, mass production gradually converted many rare luxuries into commonplace luxuries and even conventional necessities.

Yet, even while the luxury market has become more uniform in terms of what people paid for luxuries, it has grown steadily less uniform in terms of the number and variety of luxuries it offers. Never in history has any nation produced so many different non-necessary products as the U. S.

What about the future of the luxury market? Today, the luxury market is a salesman's market as no other market is.

It will be even more so in the future. The long-range prospects for the luxury market are nothing less than resplendent. If the national income goes up as it has—and nothing suggests that it will not, over the long run—millions of additional families will rise above the $4,000 line. Moreover, no fewer than 18 million family units are poised, so to speak, on the $4,000-to-$7,500 rungs, ready to swing up another rung. A huge and rapid expansion in the brackets above $7,500, where luxury buying power is palpable, seems almost inevitable. The expanding luxury market may well leap from the current $34 billion to perhaps $45 billion in 1960, and maybe $70 billion in 1970.

The day may come, in other words, when most Americans will be engaged in making, and selling to one another, thousands of products that today are regarded as luxuries. The day may come, to put it still another way, when the economic strength of the U. S. will be based on what we would define as luxuries today.

—Gilbert Burck and Sanford S. Parker. *Fortune*, December, 1953, p. 117:8.

Where America's Amusement Dollars Go

"Where"—the family breadwinner exclaims periodically, and especially around the first of the month—"does the money go?" Business needs to know the answer, too.

That's one reason why the Bureau of Business Economics of the U. S. Department of Commerce collects and publishes, from time to time, reports on personal consumption expenditures. These reports indicate how America spends its money—how much for books, food, golf instruction, personal care; how much on travel, on tickets to games, to theatres, to other spectator amusements.

In 1952, for example, Americans spent $638 million for books (and maps), and

only $49 million to watch professional baseball. We spent $1,468 million on magazines, newspapers, and sheet music; $105 million on college football; and $10 million for professional football.

Amounts spent for various amusements vary from year to year. Expenditures by the public in motion-picture theatres, for example, dropped to $1,134 million in 1952 from $1,342 million in 1949. In 1949 the public spent $92 million for plays and operas; in 1952 only $87 million. Meantime, $131 million went for golf instruction, club rentals, and caddy fees—$28 million more than in 1949.

For photo developing and printing, the nation's camera fans spent $141 million in 1952, a gain over 1949 of $43 million. Personal expenditures in 1952 for radio and television receivers, phonographic equipment, records, and musical instruments amounted to $2,324 million—$125 million more than for private education and research.

Meanwhile, Americans spent $141 million for radio and TV repairs. And, perhaps most interesting of all, they spent more than twice as much ($836 million) for flowers, seeds, and potted plants as they did for theatre and opera, professional baseball, college football and golf put together.

All in all, we consumers are a fascinating, puzzling lot of people.

—*The New York Times*

$200 Billion "In the Sock"

WHAT ARE consumers doing with their money after they get it as a pay check, dividend, or rent? Current records show quite a lot of cash is being saved. Some of the figures are startling, and also encouraging as a sign of the future course of business.

For instance, disposable personal income has been running at around $250 billion a year. Of this the public saves about 7½ per cent, or nearly $19 billion. Over the years this piles up; last year, total savings in various forms were figured at $200.5 billion.

Does this mean such a sum is ready at hand for consumers to spend for food, housing, clothes, cars or other needs? No, for less than 44 per cent of the so-called "savings" is in commercial and mutual savings banks, postal savings accounts, and building and loan association thrift accounts. More than 31 per cent is in life insurance, the remainder in government savings bonds and other investments.

It is well to remember, however, that the public's savings habits are not frozen. During one quarter of a year bank deposits may rise steeply while holdings of securities may decine. Families that buy houses or cars in the spring will stretch their credit to the limit at such a time, and may reduce their bank deposits.

One of the larger New York savings banks with more than $1 billion in personal savings accounts has analyzed these: Nearly one-third of the bank's customers have accounts of $2,000 or more, but another 46 per cent keep less than $500 on deposit.

—*Biddle Survey* (Biddle Purchasing Company, New York) 1/26/54

AMA PACKAGING CONFERENCE AND EXPOSITION

The annual Packaging Conference and Exposition of the American Management Association will be held on Monday through Wednesday, April 5-7, at Convention Hall, Atlantic City.

FACING THE FACTS OF COMPETITION

IT IS ALREADY clear that in many industries the going will be tougher this year than it has been since 1948. And it is safe to predict that competition will be far less polite than in the years just past, and particularly perilous for all but the largest and strongest concerns in any industry.

It is very rare indeed, even in the worst of times, for every firm in an industry to go into the red. There are always a few who make a profit, who even go ahead. There are always those who can thrive on adversity. But to do that requires a strong sense of reality—the ability to face the facts.

What are some of these realities which will enable the successful competitor to sell beyond the so-called "saturation point"?

First, we must face the reality of purchasing power in America. Half the families in the United States, conditioned though they may be to respond eagerly to every new want which is advertised, promoted and merchandised, are yet unable to satisfy these wants. The rest of our population, in varying degrees, constitutes our consumption elite. The lower half reminds one of Pavlov's dog, who would salivate at every sound of the bell but couldn't eat.

Obviously the manufacturer who wants to compete successfully for the mass market, particularly for the requirements of the lower income groups, must know more about what they need, what they want, and how to reach them than he ever did before.

Here in this country, consumption is a way of life. Promotion, publicity, and advertising have endowed commodities with a significance which makes their consumption important to the status, the prestige, and the multiple ego-satisfactions of the population.

Secondly, we must be skeptical about our own propaganda. Far too many businesses beguile themselves with their own advertising, promotion, and publicity. Too many manufacturers and retailers look upon brand names as a sort of primitive magic—the very fact that an item is named gives it importance. That may be so for the manufacturer, his salesmen, the buyers in the stores—but not always for the consumer.

Accordingly, one form which successful competition will take in 1954 will be the development of ingenious devices for enlarging the significance of commodities in the mind of the consumer. Not all of these will be advertising devices. But advertising is surely one means by which a product is endowed with significance, importance and desirability.

Third, let's realize that self-service selling is not a cure-all—that it may even prove a danger for many products and many businesses. There are many products which have to be properly displayed, presented, promoted and sold. When you discard all personal selling, may not your product, too, go into the discard? True, the quality of retail selling has deteriorated. Does this mean that new thinking by department stores and chains, and by the manufacturers and wholesalers, cannot provide the incentives to recruit and train interested, intelligent, alert, and career-minded salespeople?

There is too much dependence on status in American selling today. The manufacturer depends on his place in the industry and on his advertising. The retailer depends on his place in the com-

munity, his prestige, his advertising. Meanwhile, hundreds of door-to-door salesmen are successfully selling merchandise on which they are undersold by local stores. They sell products which are out-advertised by scores of national brands; and the firms they represent are not highly-regarded local institutions. Yet the share of the market captured by direct selling runs into $1 billion a year—and keeps growing.

Fourth, how many companies have ever called in a specialist to make a marketing audit? What a marketing audit reveals is how well a firm is able to compete—and what needs to be done to improve its fighting qualities. This is not merely a matter of comparing products, packages, price lines and promotions—although these enter into the study. Basically, the task is to relate the firm and its products or services to the consumers of 1954.

In a year of impasse, in a year when many industries as a whole will be slowing up, the individual firm that wants to go ahead will have to understand how the consumer is adapting himself to the change in the economic climate, what new habits, fads, and slogans he will accept—and which he will reject.

Meeting competition in 1954 is going to demand an economic and sociological analysis and understanding of the problems involved. It will require watching and anticipating the shifts in demand, in price structures, in the relative strength of distributors.

Above all, it will call for a sharply realistic understanding of competition as a matter of fighting to win.

—VICTOR LEBOW. *Credit Executive*, January, 1954, p. 9:8.

Also Recommended • • •

TOP-LEVEL SALES COMMUNICATIONS. By James K. Blake. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), January, 1954. 75 cents. Describes how a number of large companies are using special types of visual aids and reporting systems to keep their sales executives currently and completely informed on the company's marketing position. An interesting example is Admiral Corporation's "Sales Intelligence Room" a centralized chart room where an up-to-the-minute series of wall displays provides executives with complete market and sales information for their own reference and for ready use in sales meetings.

AN EVALUATION OF DEALER AIDS. By Irwin D. Wolf. *The Advertiser's Digest* (415 North Dearborn Street, Chicago 10, Ill.), December, 1953. 25 cents. In this retailer's opinion, industry is spending prodigious amounts of money for dealer aids without any evidence that the *kind* of aids they are furnishing really justifies their costs. Among the examples he cites are: displays and fixtures that are out of character with the rest of the dealer's store and consequently are not used; training materials that make unreasonable demands on the time of salespeople; special demonstrators for products which could be sold just as effectively by the regular sales force. The cost of these aids is passed on to retailer and consumers, the author contends, and the dealer would like to see many of them curtailed in favor of a broader profit margin.

NEW PROBLEMS FOR NEW MASS PRODUCTS IN NEW OUTLETS. *Grey Matter* (Grey Advertising Agency, Inc., 166 West 32 Street, New York 1, N. Y.), January 1, 1954. Gratis. The shortage of floor space for new items in modern retail outlets planned for mass selling, the desirability of increasing turnover, and the increasing authority of chain-store managers over items to be carried in their units are among the special marketing problems now confronting the manufacturer who plans to introduce a new product to the mass market. Among the suggestions offered here: (1) market-test the new product as thoroughly as pos-

sible; (2) prepare presentations, based on case histories, that will be convincing to store managers; (3) be sure your advertising (especially in trade papers) is adequate in quantity and kind.

EXPERTS PICK BEST TEST MARKETS BY REGIONS AND POPULATION GROUPS. By Philip Salisbury. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), November 10, 1953. 50 cents. Reporting on a recent survey of 131 manufacturer and advertising agency representatives, Mr. Salisbury lets the experts explain how to make valid market tests, avoid pitfalls in procedure and interpretation of results, and decide which media shall be used. The selection of test cities is explored thoroughly, with a list of 10 principal factors bearing on this important decision and evaluations of specific localities as test areas.

COMING BOOM IN TOP-CLASS MARKET. By Peter B. B. Andrews. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), November 27, 1953. 25 cents. While much has been written about the great postwar growth of the middle-income market, less attention has been given to the expansion of America's "class" market (composed of families with $10,000-and-over in disposable income), which has more than doubled since 1929. Apart from the numerical growth in this consumer group, its liquid assets and relatively debt-free position bode well for the sale of quality and luxury goods this year, particularly as the stimulus of lower taxes is felt.

HOW TO DESIGN THE SALESMAN'S COMPENSATION PLAN. By Harry R. Tosdal. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1953. $2.00. Outlines the objectives and the steps involved in constructing workable plans for compensating salesmen, as well as the basic elements commonly contained in such plans. The author stresses the wide variations in existing plans, the trend toward combination or incentive plans, and the fact that no plan can substitute for good sales management.

WHO GETS WHAT INCOME AND WHERE? By Jay M. Gould. *Sales Management.* (386 Fourth Avenue, New York 16, N. Y.), November 10, 1953. 50 cents. Figures from the 1950 census are here used to develop, for all standard and potential metropolitan areas, the distribution of consumer spending units and net effective buying income. The resulting data, presented in tabular form, focus attention on those variations in the income make-up of each market which tend to be concealed by broad aggregates and averages.

TODAY'S ADVERTISING MANAGER. By David Bland. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), December 11, 1953. 25 cents. The author debunks the popular conception of the advertising manager as a high-pressure "idea man" engaged in the glamorous "show business of business." In today's arena of multi-million-dollar budgets, shifting markets, and new products, the ad manager's job has become a workaday one, crammed with details of statistics, records, analysis, budget control, etc., and its success depends far more upon managerial than creative ability.

SOUTHERN MARKET ISSUE. *Advertising Age* (200 East Illinois Street, Chicago 11, Ill.), November 2, 1953. 15 cents. This roundup of 1952 data on population and households and 1951 statistics on sales of the 58 Southern metropolitan areas is introduced by several articles pointing to the prosperity and optimism of the region today. These include an eye-witness account by three editors of the industrial expansion taking place throughout a 12,000-mile area.

OPERATIONS RESEARCH AND MANAGEMENT PROBLEMS. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Market Street, Philadelphia 2, Penna.), December, 1953. Gratis. Describes how operations research, a new scientific tool for decision-making, can help marketing management in four general areas: allocation of effort (programming marketing activities), control and coordination of the marketing system; information and contact; and competitive strategy. Though broadly theoretical in nature, the article does cite examples of problems encountered in each area, ranging from determination of the number and size of trucks required for a delivery operation to the development of strategy for capturing customers from a competitor.

NEW BREED OF WHOLESALER. *Business Week* (330 West 42 Street, New York 36, N. Y.), January 23, 1953. 25 cents. Describes the role in self-service merchandising of the rack jobber, a new type of wholesaler who does a complete service job in the self-service store's non-food departments. The rack merchandiser warehouses such items as housewares, toiletries and toys, delivers them, keeps the display shelves filled, and arranges point-of-sale displays. He usually owns the goods and displays and operates like a concessionaire, or he may sell the goods outright to the dealer, guaranteeing a refund if they don't sell. Retailers like the arrangement because it relieves them of a considerable inventory problem and saves supermarket personnel a merchandising job.

DEVELOPING EFFECTIVE FINANCIAL PUBLICITY

HERMAN S. HETTINGER
D. M. S. Hegarty & Associates, Inc.

IT IS ONLY natural for executives to be pleased when they see news of their companies on the financial pages of the public press, and understandable if they think their companies' press releases newsworthy.

Actually, if relied upon as the main means for dissemination of corporate information, financial publicity can be greatly over-rated. However, when realistically employed—with a full appreciation of its strengths, shortcomings and special requirements—*and integrated into a comprehensive, continuing program,* financial publicity can add significantly to the over-all effectiveness of a financial and stockholder relations program.

POTENTIAL SERVICE

As one element of a comprehensive program, financial publicity can render a number of important services. It can help to keep both the financial community and stockholders notified of important developments and to inform the general public of the company's accomplishments and situation.

In addition, financial publicity may assume major importance in the case of fast-breaking "spot" news, where it may be essential to get the accurate story of what happened and why before shareholders, the financial community, and the public as quickly as possible. It is advisable to follow up the news release with a more complete mailing to share owners and securities analysts as soon as may be practicable.

Financial publicity is helpful also with regard to more routine matters, particularly if through skillful publicity a company succeeds in getting a consistently good press over a period of time.

Finally, feature stories appearing either in the general press or in specialized business and financial periodicals can sometimes present a more comprehensive picture of the company, or of some major facet of its activities, than is possible in a general news release.

LIMITING FACTORS

To what extent can any company, except possibly one of the very largest, expect the newspapers in principal money centers to carry its financial releases? How many papers can be expected to run the story in sufficient detail to provide a satisfactory account of what happened and why? Is relatively nation-wide publicity a practicable goal?

In a recent survey undertaken to cast some light on these questions, we examined 25 important daily newspapers in the country's leading financial centers outside New York City. The survey covered a period of several days during annual report time in 1952, when an especially large number of corporations might be expected to receive some form of news mention.

The results were revealing. Although

over 80 per cent of the papers examined had financial and business sections, only one devoted as much as three pages to this type of news; and the average space given by each of the papers to news of the nation's corporations was less than 15 inches of a single newspaper column.

The conclusion is unavoidable that the company or publicist that sends financial releases broadcast across the country is definitely wasting corporate funds. This does not mean, of course, that financial publicity is inefficacious. It can be made effective—and on a reasonably nation-wide basis—if it is directed to the right media and presented in the right way.

PLANNING THE PROGRAM

Two facts should be borne in mind constantly when planning the effective use of financial publicity as part of a comprehensive financial and stockholder relations program. The first is that New York, as the nation's leading financial center, is the principal point of origin, as well as of dissemination for financial news. The other is that the financial community throughout the nation is, comparatively speaking, a closely-knit entity with well-established channels of communication centering in New York. Therefore, if these channels are used properly and cultivated intelligently, it should be possible to cover both the financial community and the more important elements of the investing public on a reasonably satisfactory nation-wide basis.

In keeping with this concept, the following media are especially important to an adequate continuing flow of news: the New York dailies, particularly the leading morning papers; the *Wall Street Journal* and other specialized business and commercial dailies; the Dow-Jones ticker; statistical services such as Moody's, Standard & Poor's, and Fitch; and as a supplement to the aforementioned, the Associated Press, United Press, and International News Service.

To secure space in these media and to win their continuing interest requires a knowledge of what to say, when and how to say it, and of how to channel financial releases so that they will stand the best possible chance of being published.

WHAT MAKES A STORY?

Certain matters, *per se,* are corporate news of general interest. Annual and interim reports of earnings, especially if there have been significant changes and the news release has been well developed, fall into this category. Reports of dividend actions, particularly on common stock, are legitimate routine news. The statistical services should be informed of all dividend actions, on both common and preferred, as a matter of record.

Reports of annual meetings also may be news, particularly if important actions have been taken or if the company's chief executive officer has given the stockholders a preliminary estimate of sales and earnings. Important changes in the management or the election of a new director may be good for a brief paragraph.

Expansion of old facilities and development of new ones are important news, but only if they will have a material effect on sales and earnings. The same is true of new products, new processes, diversification programs, acquisitions, and similar developments.

Several other opportunities exist in the field of day-to-day news. The financial press very frequently assembles round-up stories of industry trends or prospects, often mentioning company names in the course of the account.

Other opportunities exist in what may be called "feature" stories — adaptable especially to the Sunday financial sections of newspapers, and to some of the business magazines and financial periodicals. If the company's success is due to an outstanding personality, the individual in question should be excellent feature material. A dramatic growth situation also may lend itself to feature treatment. So may new products or processes and, less frequently, new, ultra-modern facilities. Such stories are a matter not of preparing a release but of finding the "angle" which will fit a specific medium and then attempting to interest the proper members of the staff in its possibilities. It should be borne in mind that regardless of when a release is dated and in how ample time it has been delivered to the press, the treatment which it may receive is always a matter of considerable hazard. If several especially important stories break on the same day as that for which a given company's release has been scheduled, or if financial advertising is more than ordinarily heavy, the story may receive little or no space. Indeed, this is one of the principal reasons why direct mailings to the financial community and stockholders are so important.

HOW TO SAY IT

Some of the rules for effective financial publicity are extremely simple. Putting *all* of the pertinent facts into the story is a rule which should always be followed even when it tends to hurt. Should a company's releases get the reputation at the newspaper's financial desk of telling somewhat less than what really happened, subsequent mailings will tend to get little or no attention and the road back to rebuilding confidence will be long. Conversely, being known for veracity and frankness can stand a corporation in good stead when there is a difficult situation to be explained.

Succinctness in financial releases is at an even higher premium than usual, because of the space limitations common to newspaper financial sections and the specialized media. Arrangement of the facts in meaningful order, so that what really happened can be seen in a glance, is likewise an important rule.

When a release presents all of the pertinent facts concisely and in proper perspective so that the more important developments stand forth clearly, all things being equal, it will tend to be published with little change.

GETTING IT PUBLISHED

Newspapers which aim at complete financial coverage divide industries into groups. Individual staff members are assigned to watch the activities of certain industrial fields and companies, and these reporters become the papers' experts on the industries comprising their bailiwick.

This being the situation, finding and getting to know the reporter assigned to cover the industry of which the company is a part becomes an important consideration. A copy of the company's release always should go to the financial editor, but another one also should be sent to the staff member assigned to cover the corporation and its industry.

In addition, if the reporter is contacted on a continuing basis, he will be more prone to think of the company when the time comes to dig up a Sunday feature or to write a general industry story. Keeping him informed of important developments, whether for publication or off the record, will yield dividends in press notices.

In summary, the principles governing the channeling of releases so that they

will stand the best possible chance of getting published are simple, even though their application requires a high degree of specialized knowledge, skill and patient cultivation. If the company or its representative finds the right individuals—and *all* of them—on the right media; channels the right kinds of releases to each of them; cultivates these people on a continuing basis and keeps them fully informed—then, if its importance in its industry at all warrants, it should receive a satisfactory measure of publicity over a period of time.

—From *Financial Public Relations for the Business Corporation*. By Herman S. Hettinger. Harper & Brothers Publishers, New York, 1954. 204 pages. $3.50.

EMPLOYEE STOCK OWNERSHIP: ONE COMPANY'S EXPERIENCE

LATE IN 1948 the management of Dow Chemical Company set up a plan under which employees could buy common stock of the company by payroll deduction. This program was established in the belief that an employee who owns stock in his company tends to have a keener and broader interest in its general operations, a better understanding of its aims and problems, and in general more team spirit.

Even when adopted, the idea was somewhat experimental. Stock was offered at just under the market price. Under the first plan 2,833 employees, or 10 per cent, purchased stock. Since there were no quick profit possibilities at that time, Dow management could deduce that roughly one-fifth of the employees were genuinely interested in buying Dow stock as an investment.

Since then, Dow has been selling the stock to employees at around 75 per cent of the prevailing market. The second year 29 per cent of eligible employees subscribed; the third year, 42 per cent; the fourth year, 45 per cent.

The plan itself is relatively simple. Employees can subscribe any amount up to 10 per cent of their annual salary or wage. They pay for it by payroll deduction over a period of about 10 months. However, in the earlier plans they also had the option of paying cash.

Until their final payment is made they can cancel their subscription or reduce it at any time. Thus, they are completely protected against an adverse market until they have taken actual delivery. There have been few cancellations. In 1951, out of almost 10,000 subscriptions only 260 people dropped out.

What are the effects of the employee stock-purchase plan? Such programs have often been undertaken with the thought that stock ownership will make the employee think more like a stockholder. That doesn't happen in a minute. But the employee who has gradually accumulated an amount of considerable importance among his financial assets may well become more conscious of the economic aspects of our economic system. He may begin to read the financial page of a newspaper occasionally; listen a little more intently to the company's story of his own fiscal affairs; and, in general, begin to acquire a slightly different slant on the welfare of the company.

Dow management believes that some of that feeling is detectable now. It is impossible, of course, to tell exactly how much efficiency has increased as a result of stock ownership. But it is thought that the stock-purchase plan fits in with the company's pension program and gives the employees a chance to provide a substantial part of their security themselves. It seems to be a convenient and simple way for employees to save and become part owners of a business on a long-term basis.

—From a paper presented by the U.S.A. Committee at the 10th International Management Congress.

New Trends in Annual Reports

ANNUAL REPORTS are becoming more modern, more readable, and more understandable, according to the results of the seventh annual survey of 600 corporate reports conducted by the American Institute of Accountants.

Sixty-nine per cent of the reports now show financial information on a comparative basis for more than one year, against only 41 per cent when the survey began in 1946. About 78 per cent now present figures rounded out to the dollar, compared with only 43 per cent seven years ago. An increasing number of reports are adopting terminology recommended by the AIA, it was found. About half of the companies now refer to "retained earnings" or use some similar phrase in place of "earned surplus," which was used by 83 per cent of the companies before the Institute's committee on terminology recommended that the term "surplus" be dropped because of undesirable connotations.

The LIFO system of inventory accounting has lost appeal to new converts because of the presently high level of prices, the survey showed. Only 3 of the 600 reports studied showed that the last-in-first-out method of inventory valuation had been adopted during the year; in one case, it was abandoned. This slow rate of gain contrasts with increases of 24 in the number of corporations using LIFO during 1951 and 44 in 1950. About 31 per cent of the 600 companies are now on a LIFO basis for at least part of their costing, it was reported.

—*Journal of Commerce* 12/16/53

Who Pays the Research Bill?

INDUSTRIAL RESEARCH and development is by far the largest segment of the nation's scientific research activity, according to a bulletin published recently by the Labor Department's Bureau of Labor Statistics.*

Industry's share of the nation's $3.75-billion research bill in 1952 amounted to approximately $2.5 billion, the study shows. Both the total national outlay and the cost of research performed by private business were more than 40 per cent higher than in 1949 and 317 per cent higher than in 1941.

The electrical equipment industry spent $433 million for research in 1951, the largest amount spent in that year by any one industry, with the Federal Government paying about 57 per cent of the total expenditures. The aircraft industry came next with $410 million, of which the government underwrote 85 per cent. In the chemical and allied products group, the government contributed only 7 per cent of a total of $217 million. The automobile industry spent over $210 million, of which the government contributed 9 per cent. Of the $94 million spent by the petroleum industry, government work amounted to less than $3 million.

* *Scientific Research and Development in American Industry—A Study of Manpower and Costs.* 50 cents. Available from the New York Regional Office, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

HOW TO SELL THE BUDGET PRINCIPLE

KEENER COMPETITION, high-priced labor, and rising costs of plant replacement are gnawing away at earnings. Facing this problem, many managements have been advised to turn (or, in some cases, return) to budgeting.

All too often, if this advice is taken, it is in the manner of a sick man taking bad-tasting medicine. More frequently than not, the orderly processes of planning and follow-up, the so-often-misunderstood fundamentals of a budget, must be "sold" to management.

Much of the success for a proper introduction of the budget is dependent upon the man chosen to make the installation. He must be not only a good financial man or accountant but a good administrator, with a well-rounded business background.

Experience indicates that the most important objective at the outset of a budget installation is a clear understanding by management of the purpose that the system is to serve. This purpose can best be defined by having the budget executive engage in preliminary interviews with top divisional executives before any attempt is made to study organization and records. It should soon become evident from these interviews just what voids in the management scheme need to be filled by the budget technique.

Next, and likewise very important, is the pre-installation appraisal of the company's operating records and accounting statements. A sincere examination of the possibility of adapting any of the currently prepared forms or reports is sure to win acceptance for the budget, for obvious economical as well as psychological reasons.

After the preliminary stages have been completed, the budget executive should present to the president, in writing, his program for introducing the budget system. It is most essential that the company's top executive should personally spend time with the budget executive to review this program, which should include a tentative timetable indicating the order in which each of the company's activities will be coordinated under budgetary control.

Since a fully coordinated system of budgeting should close the gap between the selling program and the other activities of the company, the installation is best started by having the marketing department develop not just a sales forecast, but a complete selling plan.

Once having started the ball rolling in the marketing department, the budget executive should then turn his attention to such activities as research and development, and overhead for such activities as general, sales, and plant administration. Here, again, the aim should be to demonstrate to each executive how the plans of his division are interwoven with those of the company as a whole, and how dependent they are upon the financial condition of the company as a whole.

To sell the budget system successfully it is up to the budget executive to point out tactfully how the existing system may have to be modified so that it will lend itself to a coordinated system of control. While some resistance is usually met at first, a new idea, if handled tactfully from the top down, can catch on.

For example, the manufacturing department should be assured that the sales plan will be reviewed by general management at least once each quarter in the light of changing conditions. With

this start, it is possible to ask confidently that the manufacturing officials set operational budgets which will meet the level of operations planned for a substantial portion of the coming business period.

In summary, there are ten cardinal rules worth keeping in mind when yours is the problem of selling the budget principle:

1. Determine first the purpose which the budget system is to serve.

2. Plan the installation in a way which will quickly win the cooperation of top management.

3. Make certain that all plans which are to become the actual support for budgets are expressed in writing and approved through appropriate channels.

4. Make the best use of financial and statistical information already available before arranging for the assembly of further data.

5. Wherever possible, make reports self-analytical. This will encourage analysis and follow-up action to be performed by those charged with the responsibility for the function in question.

6. Be alert to changing conditions so that budget revisions can be made promptly. Nothing will cause so rapid a loss of interest in the budget as to permit it to go stale.

7. Put the budget procedure in a manual as soon as possible. Write up the budget mechanics involved in any particular procedure as soon as it has passed the "pilot run" stage.

8. Keep the system simple.

9. Success in the budget installation will largely depend on the degree of tact and diplomacy exercised by the budget executive in offering his counsel and guidance to management. Choose this man carefully.

10. Don't become discouraged. Be prepared to sell the budget again if the cooperation and enthusiasm of a division head or line executive should wane because of some kink in the system.

The budget system, like all systems, is entirely dependent for its success upon the people who use it. One thing is certain: Selling the budget takes a vast amount of patience, hard work, and determination.

—HERBERT MULLER. *Dun's Review and Modern Industry,* December, 1953, p. 46:6.

U. S. Investments Abroad Hit a New High

THE BOOK VALUE of foreign branches and subsidiaries of American companies rose to more than $16 billion by the end of 1953, according to a recent analysis by U. S. Department of Commerce. The 1953 value of these direct investments reflected additions to investments totaling over $4 billion in the 3 years since 1950. The high proportion of earning reinvested abroad is primarily a reflection of the intention of American companies to maintain and enlarge their foreign enterprises on a permanent basis. Much of the recent increase in direct investments abroad was to enlarge manufacturing plants, the value of which had risen from $3.8 billion at the end of 1950 to $4.9 billion at the end of 1952.

Manufacturing enterprises represent the largest industry group in direct investments abroad, the Commerce Department points out, and continued large investments of this type are indicated by mounting industrial activity and competition abroad.

Also Recommended • • •

AMERICA'S BIGGEST HOLDING COMPANY. *Federal Spending Facts* (Council of State Chambers of Commerce, 1722 H Street, N. W., Washington 6, D. C.), December 3, 1953. 10 cents. It would require the total net worth of 29 well-known American companies to equal the government's $30.5 billion investment in its business enterprises, this article states. Describing the activities of 39 federal agencies, it advances the view that government business enterprises must be sold or liquidated, wherever this can be done practically and in the national interest, if the American taxpayer is not to shoulder a heavy future tax burden.

MEASURING THE PRODUCTIVITY OF CAPITAL. By Joel Dean. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1954. $2.00. An analysis of the basic problem of how to make decisions about capital expenditures, of fallacies in thinking prevalent in this area, and of the different approaches that have been proposed. The author also presents a practical means, which he calls the "discounted-cash-flow method," of measuring the economic worth of individual investment proposals and selecting those that promise to contribute most to the company's long-run prosperity.

TAX HIGHLIGHTS OF 1953. By J. H. Landman. *The Controller* (1 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. The year 1953 saw 17 amendments by Congress to the Internal Revenue Code, as well as a host of new Treasury rulings and court decisions. The author's helpful summary of the most significant of these changes (fully documented with case citations for those wishing more detailed information) is of interest from the standpoint of both corporate and personal income taxes.

THE LAWYER AND THE CONTROLLER CONSIDER CORPORATE MORALITY. By Christian B. Peper. *The Controller* (1 East 42 Street, New York 17, N. Y.), October, 1953. 50 cents. There is a tendency among some company officers, the author feels, to become so engrossed in building up corporate leviathans that they lose sight of the fundamental goal of providing a fair return on the shareholder's capital. This article examines certain legal and ethical questions arising out of management's dominant position in controlling the affairs of the company. These involve trading in "control" blocs of stock, management purchase of stock, management's interest in companies that purchase from or sell to the corporation, the voting of salaries and expense accounts, and dividend policy.

WHAT'S THE ANSWER? Committee on Business Statistics, Chamber of Commerce of the United States (Washington 6, D. C.), 1953. 50 cents. This booklet tells how to acquire and organize a low-cost statistical library at a minimum expenditure of $6.50 a year. To supplement the library references from outside sources, general publications in the fields of banking and finance, government, agriculture, manufacturing, transportation, foreign trade, and retail and wholesale trade are listed.

ANOTHER LOOK AT DEPRECIATION ALLOWANCES. By R. K. Mautz. *The Controller* (1 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. The author takes issue with an article by Robert Eisner ("Conventional Depreciation Allowances versus Replacement Cost," published earlier in *The Controller* and summarized in this section of THE MANAGEMENT REVIEW for January, 1954). The present author does not disagree with Professor Eisner's position that in an expanding firm there is a material difference between the cost of replacing assets retired during the current year and the depreciation for that year as computed by conventional straight-line methods. However, he seriously questions Professor Eisner's conclusion that this difference makes for an overstatement of depreciation allowances and an understatement of corporate profits, and he explains why.

THE RESURGENCE OF THE BALANCE SHEET AS A USEFUL ELEMENT IN FINANCIAL ANALYSIS. By William W. Werntz. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), November, 1953. 75 cents. Though in recent years the importance of the income statement has been emphasized at the expense of the balance sheet, there is evidence that the pendulum is gradually swinging back, with the result that a number of new developments in balance-sheet presentation are being adopted. The author reviews some important substantive changes, as well as changes in the language and form of the balance sheet, which are serving to make it a far more readable and useful document.

PROVIDING PROPER COVERAGE FOR YOUR FIXED ASSETS

For insurance purposes, the value of a company's fixed assets may be determined in one of two ways:

1. An independent appraisal company may prepare an appraisal of the property. The appraisal may be a single presentation, or it may include an annual revision service in which acquisitions and deductons are reported to the appraisal company and taken into consideration at the time of the yearly revision. Where there is no revision contract, the appraisal company usually agrees to prepare an up-to-date statement at the time of a loss and within a five-year period following the appraisal.

2. The company's cost accounting department, with the help of its plant engineers, may maintain a set of property records from which can be obtained at any time the location, quantity, identification, and value of each unit of property. Such property records, while entirely different from the property records for tax or cost accounting purposes, pertain to the same property and are usually incorporated with them.

What are the minimum requirements of property records for insurance purposes?

Insurable property may differ from the book asset figures if the latter covers too much (e.g., land values, grading, excavation costs, underground piping, concrete footings, or supports for machinery below the ground) or too little (e.g., excluding tools, wiring, machinery installation costs, and other assets of actual value never capitalized on the books. Or there may be assets of usefulness and value that have been written off the books entirely by depreciation charges).

Property records convertible to an inventory to support a loss claim must show the proper value. In almost all instances this will involve a knowledge of present cost of reproduction new. How will that be obtained? There are various methods: (1) Figures may be obtained from appraisal companies on certain items; (2) specific items such as machinery can be priced by a dealer or manufacturer; or (3) price trend statistics can be applied to the original cost figures, either on a specific or broad basis.

The latter method of arriving at current reproduction costs requires caution. Various component elements of an asset may have felt widely different price trends, so the component parts must be analyzed individually to be sure of reasonable accuracy. Furthermore, the factor of depreciation must be considered. For insurance valuations the element of depreciation very rarely exceeds 50 per cent of the new reproduction cost as long as the asset is being used.

Segregation of insurable property will be required in case of a loss. It will also be required at least once a year during a "check-up" or when a "statement of values" is filed with the rating authorities. This segregation will involve (1) the breaking down of values as between fire divisions, and (2) the segregation between buildings and their contents.

All the above requirements must be kept up-to-date, and the records for in-

surance purposes checked regularly by experts or by some engineer familiar with the actual property. Among the special types of coverage available for fixed assets is replacement cost insurance, by means of which certain buildings may be insured for their full replacement value new, without any deduction for depreciation. Such a form is available only for larger risks on buildings that are relatively new, and usually of multi-purpose, non-specialized design and construction. However, the payment of a loss will only be made after repairs or rebuilding is completed, and a 100-per-cent coinsurance clause is mandatory.

A company which rents premises should watch two particular problems. First, it should make sure that the company is relieved from all liability in the event that fire damages the building. There are various ways of accomplishing this; probably the simplest is to have a clause inserted in the lease which relieves the tenant of such liability. Second, insurance on improvements and betterments should be arranged. Normally, if the improvements were installed during the current lease they can be insured by the tenant at full replacement cost; if insured under a prior lease, the title has passed to the landlord and should be insured by him. Here, the provisions of each lease must be carefully studied.

In insuring its machinery and equipment, a company may want separate machinery insurance on expensive compressors, motors, or refrigerating systems. That coverage will pay not only for any explosions but for the expenses of accidental breakdowns. Here the valuable services of trained inspection engineers may prevent a loss before it occurs.

Insurance on machinery, equipment, and all other similar property (whether labelled fixed assets or not) must be arranged to take care of property not owned by the insured. Leased equipment, for instance, offers problems that can only be met by carefully studying the lease agreement and the legal implications of the bailor-bailee relationship.

The insurance manager can profitably set aside a certain time, once or twice a year, to go over his coverages and values. It has been well said that "an insurance policy is pretty dull reading before a fire —but afterwards it is a thriller!"

—BAYLOR LANDRUM. *Best's Insurance News*, February, 1954, p. 69:4.

Getting More for Your Insurance Dollar

HERE ARE SOME guides for administering your insurance program in the coming months:

1. Protect against catastrophic losses.
2. Consider your normal hazards. Remember: You can't insure against everything, so intelligent evaluation of exposures is a "must."
3. Periodically review your insurance program and carefully read and study the contracts. Actually, today much coverage is given away free. Don't overlook these opportunities to broaden and extend policies, especially when it can be done at little or no additional cost.
4. Coordinate programs through the use of common expiration dates.

Now here are some specific ideas to help the buyer get the most for his money:

Whenever possible, buy comprehensive general liability and comprehensive auto-

mobile liability policies and request the carrier to write this coverage on an "occurrence" basis if possible.

Study carefully the selection of policy limits.

Don't fail to insure the "hold harmless" clauses in leases in order to eliminate a void in your liability insurance coverage. And bear in mind that your insurance counsellor may be able to provide some valuable suggestions concerning nomenclature, coverage, and limits of the insurance sections of such documents.

Under a workmen's compensation policy, the voluntary compensation endorsement should be attached to all policies of corporations or partnerships. This provides important coverages at no additional cost. If your firm operates in more than one state, the all-states endorsement should be attached to your workmen's compensation policy. This change can be made at no extra cost.

Time element coverages are important. Keep in mind that the contribution clauses in business interruption policies pertain to future earnings. Incidentally, it is now possible to secure a use-and-occupancy contract providing for the recovery of a fixed sum per day.

Be alert to the possibility of catastrophic property-damage losses through the operation of a motor vehicle. Although not a new idea, non-ownership and hired car automobile liability insurance provides an important additional coverage at nominal cost. This is an essential type of insurance for commercial enterprises.

—Dudley F. Giberson in *The Weekly Underwriter* 2/27/54

Accident and Health Coverage: It's Still Growing

ACCIDENT AND HEALTH insurance in the United States continued to grow in 1953, according to a recent report by J. I. Follmann, Jr. of the Bureau of Accident and Health Underwriters.

Total premiums paid to the insurance companies to date stood at more than $2 billion by the end of the year; insurance companies had paid to policyholders accident and sickness insurance benefits in excess of $1.2 billion during the same period.

The Bureau estimates that some 100 million persons had some form of voluntary prepayment protection against hospital expense in 1953; that over 78 million had such protection against surgical expenses, and more than 41 million were insured against medical expenses. Moreover, Mr. Follmann reported, at least 40 million employed persons also have some degree of insurance protection against loss of income resulting from accident and sickness.

In addition to the amount paid out in benefits under accident and health policies in 1953, the workmen's compensation insurance writers last year paid benefits exceeding $1 billion, Mr. Follmann reported.

Medical payments insurance written in conjunction with policies of automobile liability insurance last year accounted for the payment to the public of an additional $13 million.

DURING THE 1930's, total life insurance premiums ranged between 5 per cent and 8 per cent of the national income. Today, however, life insurance premiums represent only about 3 per cent of national income. Furthermore, great as the aggregate of life insurance now is, it still averages only about one year's income per family. Until that ratio is bettered, there is much room for the expansion of life insurance programs.

—*Insurance Advocate*

GUARDING AGAINST INTERNAL FRAUD

THE MORE varied and complex the operations of any business are today, the greater the danger of all sorts of losses. Employers can minimize the degree of vulnerability to most hazards by diligence in the selection of competent employees. Competence alone, however, does not lessen the greatest of all hazards—that of loss through employee dishonesty. In fact, the competent employee may be most successful in escaping detection.

Also, it is a well-known fact that a long record of service years is no guarantee that an employee will not change and become dishonestly involved. Not so long ago the vice president of an insurance company, 52 years of age and happily married, went to his first convention. A few drinks, a girl who did a strip-tease on a drum—and his long years of stored-up virtue quickly evaporated. Within a few weeks he landed in jail, with a shortage in his accounts of $45,000 and a thoroughly wrecked home.

The methods used by dishonest employees are many; most frequent probably are the padding of payrolls, reporting as noncollectible doubtful bills which have in fact been collected, failure to record cash sales, raising checks after they have been signed, and having checks drawn in payment of fictitious bills.

No company, by reason of system safeguards alone, is immune to the possibility of awakening some morning to the fact that some trusted employee has been stealing. No system of bookkeeping, auditing, control of operations is adequate protection. Furthermore (and this is as important as the system itself) no system can be left to operate itself automatically.

Serious defalcations are usually due to a breakdown in the operation of the system in use rather than to inefficiency in the system itself.

What precautions can be taken to deter stealing by employees, or detect it in its early stages?

Wherever possible, make certain that all cash transactions are immediately and permanently recorded. This not only makes stealing more difficult, but in case of a default, enables the company to determine more readily the amount of loss.

Confirmation of outstanding accounts will not prevent losses caused by overstating accounts receivable, but it will bring about their early detection. Therefore, it is strongly urged that the verification of outstanding accounts be embraced in your audit procedure.

If you have merchandise that can be readily handled and easily disposed of, it is most important that as tight a control as possible be placed on your inventory. Employees receiving new merchandise should be required to check carefully the actual goods received against the invoice. Wherever possible, all cash receipts should be deposited daily, and duplicate deposit slips showing the makers of the checks should be retained. If such a system is used and the daily receipts are deposited intact, a comparison of the duplicate deposit slips with the recorded receipts will disclose whether the receipts have been properly handled.

Where it is not practical to put a control over the physical handling of merchandise, it is impossible to prevent stealing, but it is possible to detect it before it has grown to any considerable size. Physical inventories taken by someone other than the person handling the goods should be taken as often as possible, and tests should be made between

inventories to determine whether the percentage of gross profit is following a normal trend. If it is not, a thorough investigation should be made immediately.

In the prevention of dishonesty losses, a thorough knowledge of the habits of your employees should be a part of your system. Investigate them carefully before you hire them, but do not stop there. Get to know their habits outside working hours; know whether they are living beyond their means, or gambling or drinking excessively. Know something about their family life. Many large losses could have been nipped in the bud if management had been curious enough to inquire as to where the money was coming from to support extraordinary spending.

Finally, you should be provided with adequate insurance protection. Two forms of fidelity insurance should be considered: the Primary Commercial Blanket Bond and the Blanket Position Bond. The Primary Commercial Blanket Bond may be written in amounts of $10,000 and upward, without limit. Its face amount is the full measure of protection which it provides for any one loss, whether caused by one employee or a number of employees operating in collusion. The Blanket Position Bond may be written in amounts of $2,500 upward, to and including a maximum of $100,000. Its face amount measures the amount of coverage applicable to each employee.

Accordingly, if your type of business is such that there is little or no likelihood of a substantial dishonesty loss through collusive acts of your employees, the Primary Commercial Blanket Bond probably will serve your needs. If there is any such likelihood, the greater protection of the Blanket Position Bond will be desirable.

A number of primary and excess combinations are available, the most desirable combination being a Blanket Position Bond as primary coverage and a Primary Commercial Blanket Bond as excess. In this combination, the primary bond provides coverage against loss through two or more employees in collusion, while the excess bond would provide excess coverage for a large loss caused by one or more employees.

In connection with both the Primary Commercial Blanket Bond and the Blanket Position Bond, it is possible to purchase excess coverage on those employees who handle large amounts of money or securities. It is necessary to cover all the occupants of one position for the same excess amount; and, in order to effect recovery beyond the amount of the blanket coverage, it is necessary to identify the employee responsible for the loss.

Internal fraud is a hazard which no system has been able to prevent. Be sure you do have a system which adequately meets your particular needs; be diligent in maintaining that system at working efficiently; look for leaks, especially small leaks; get to know your employees, their habits, their living conditions and their troubles. And carry an adequate amount of insurance.

—JOHN H. JACKSON. *Accounting Seminar* (Long Island University), Vol. 7, No. 1, p. 28:6.

THE BUSINESS MAN should be wary of statistical averages. Let him keep in mind the fate of the statistician who was drowned while attempting to wade across a stream that had an *average* depth of 3½ feet from shore to shore.

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 61

Back to Methuselah?

MORE THAN TWENTY years have been added to the lifespan of Americans since the turn of the century. In 1900, the expectation of life at birth was just over 47 years; today, it's more than 68 years.

Although most of the gain reflects decreased deaths in infancy and childhood, the outlook is also brighter at older ages. For example, today the expectation of life at age 65 is 14 years—two years longer than it was in 1900. And the average 70-year-old person has another 11 years of life ahead of him.

The senior citizens appear to be hardy, too. Of every 100 people 65 years of age or older, an average of 34 are still on the job. Of the others, 18 are likely to be living on pensions; 22 are supported from public funds; 17 are living on private assistance; and 9 are living on income from life insurance or savings.

—*Points* (Mutual Life Insurance Company of New York) 1/54

Also Recommended • • •

SELLING SERVICE, NOT POLICIES. By Elias W. Rolley. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), February 27, 1954. 25 cents. The insured has a right to expect his agent to understand his business operations and to point out hazards, check on the company safety program, advise on new construction, and otherwise help him protect his assets. But, the author warns, the insured cannot look for this kind of service if he spreads his account too thin among a number of insurers or attempts to play one against another as a means of driving a hard bargain.

CHANGING CONCEPT OF CASUALTY INSURANCE. By Harold W. Horton. *The Controller* (1 East 42 Street, New York 17, N. Y.), January, 1954. 50 cents. Citing the experience of employers in the state of California as an example, the author discusses the growing trend whereby large premium accounts are being forced into retrospective rating plans, and some of the weaknesses of such plans from the insured's point of view. If the trend continues, and retrospective rating plans are not made more advantageous to the insured, he predicts that the better managed corporations with large premiums will eventually self-insure.

GROUP DISABILITY INSURANCE. By A. M. Wilson. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), February, 1954. 75 cents. The increasing burden of cost, both to employers and to workers, for hospitalization insurance, medical care and income payments during periods of sickness disability will continue to mount, the author declares, unless more serious attention is given to preventive medicine. He urges that more doctors be brought out of the hospitals—where treatment is usually given after the damage has been done—and put in the workplace, where minor health problems can be recognized and arrested before they have a chance to become hospitalization and disability cases.

PROCEEDINGS OF THE NATIONAL SOCIAL SECURITY CONFERENCE. *American Economic Security* (Chamber of Commerce of the United States, Washington, D. C.), Conference Issue, 1953. Subscription $1.50 per year. The proceedings of a conference, sponsored by the U. S. Chamber of Commerce, its affiliated State Chambers of Commerce and the Chicago Association of Commerce and Industry, designed to explore the defects of the present social security system and to promote understanding of the National Chamber's new proposed social security policy. The Chamber's Policy Declaration in effect indicts the present social security program for the aged on two counts: (1) that, despite the existence of Old-Age and Survivors' Insurance for over a decade and a half, a great portion of the aged are still unprotected by it and (2) that federal grants for Old Age Assistance are unsatisfactory, and extension of OASI to the present "unprotected aged" should be substituted for them.

REAPPRAISING SOCIAL SECURITY. *Tax Review* (The Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.), January, 1954. Single copies gratis. A summary and evaluation of the findings of the House Subcommittee on Social Security, with an appraisal of legislative proposals in this area which are currently awaiting Congressional action.

Survey of Books for Executives

THE STANDARDS WE RAISE: *The Dynamics of Consumption.* By Paul Mazur. Harper & Brothers, New York, 1953. 173 pages. $2.50.

Reviewed by Herman S. Hettinger*

Paul Mazur's forceful emphasis on the role of high level consumption, stimulated by constantly rising living standards, in ensuring the continued health of the American economy is significant and timely. Its timeliness stems from the fact that, after nearly a decade and a half, the return of intense competition, such as characterized the Pre-World-War-II buyers' markers, seems imminent. Its significance lies in its refocussing of attention upon an aspect of our economic life which may not have received the measure of orderly scientific study that it merits.

Stripped to its essentials, Mr. Mazur's thesis proceeds much as follows: It is not purchasing power but purchases, not production but consumption, that is the ruling factor of our economy. Our mastery of mass production and the fabulous rise in productivity that has resulted from our technological progress have enabled us to produce, at one and the same time, the many and varied goods which people want and the incomes needed to buy them. But our growing productive machine can be kept busy and expanding only as long as there is an active, rising demand for its output—a demand expressed by willingness either to put cash on the line or to make commitments in the form of installment buying or some other means of deferred payment.

Such a dynamic demand, says Mr. Mazur, will not happen of itself; it must be created. He assumes—and, currently, with some justification—that the purchasing power needed to make a rising demand effective is readily available; that it can be augmented further by the greater use of "fractional selling"; and that the continued economic growth which a constantly rising demand would generate would create the additional purchasing power needed to keep the whole process running. Moreover, he states, the continually regenerative force for this process must come preponderantly from the American domestic market; for there is no reason to assume that we can adequately increase our foreign markets to absorb the surpluses created by our rising productivity. Thus the sustained expansion of our national standard of living is at the crux of our long-range economic health.

The broad outlines of Mr. Mazur's program can readily be imagined. The process of creating demand must be improved, and the techniques relating thereto must be strengthened and extended in scope. Involved here are the facilities and operations of mass distribution, advertising, selling, market research—especially the study of consumer motivations and intentions to buy—and related matters.

From here on, Mr. Mazur's suggestions range broadly; among several other things, he advocates a reorganized Presidential Council of Economic Advisors—to whom, in the light of current data and available knowledge, he would tend to assign some really back-breaking tasks. However, the ideas he advances are always stimulating.

If one's memory of economic fashions is long enough, there is a certain nostalgia in reading Mr. Mazur's book. One suddenly recalls Adam Smith's dictum: "Consumption is the sole end and purpose of all production"—the implications of which

*D. M. S. Hegarty & Associates, Inc.

usually are overshadowed by the conservative's fascination with Dr. Smith's magnificent description of the market, with its attendant implications of *laissez faire*. One thinks back on *Recent Economic Changes*, the report of a presidential committee of that name, issued in February, 1929, whose optimism was based on the inexhaustible wants of the American people, expressed increasingly through optional consumption and the "consumption of leisure," and whose growing needs were to be satisfied by the harmonious functioning of mass production and mass distribution—although the committee had some misgivings on the problem of maintaining economic balance. One wonders whether the full import of Lord Keynes' spending vs. saving theory was sufficiently plumbed by a generation that often seemed to twist the concept of a mature economy into that of one which was static, perhaps dying.

But these ruminations add to, rather than detract from, the significance of the book. After practically a quarter-century's lapse, it is about time that someone should be talking Mr. Mazur's language and acting as a gadfly to further economic investigation in this direction. And there is much to be done if Mr. Mazur's thesis is to be confirmed or to be found wanting. His approach is that of a skillful advocate, summing up. He leaves many questions unanswered: for example, the problem of maintaining economic balance—of which we have learned so much, so bitterly, in recent decades. It would also seem that the role of capital investment had been given somewhat short shrift; and other equally important problems are brought to mind. However, in spite of what appear, at least to this reviewer, to be serious gaps in his case, Mr. Mazur has put his finger on a matter of real importance. The validity of his argument, and its implications, should be subjected to the most penetrating—and, it is to be hoped, imaginative—kind of analysis.

THE MAKING OF A MORON. By Niall Brennan. Sheed & Ward, New York. 1953. 189 pages. $2.50.

Reviewed by James M. Black

Man name of Markham once wrote a piece about a slack-jawed farm hand who evidently spent a good bit of his time hanging on a hoe handle in the middle of a plowed field. According to Mr. Markham, the guy had really had it. Hard work had cracked him. There he was, when he first came to the author's attention, bowed down by the weight of centuries and with an I.Q. lower than the calorie count in a movie star's diet.

Markham was burned, and plenty, at a society that had permitted a situation like this to occur. He sat right down and dashed off some cadenced sentences to let the public know what he thought about the dehumanizing effect of long hours of work at small wages. Stood by itself, too—that is, until Niall Brennan came along. Mr. Brennan has spun out Mr. Markham's theme to book length. The result is a very curious document.

The Making of a Moron starts out well enough. Its opening chapter concerns some interesting experiments made by industry in the employment of mentally defective people. Back in 1917, when the Utica Knitting Mills of New York was hard pressed for labor, its management arranged to hire some of the more alert inmates of the Rome Institution for Mentally Defective Girls to work at the plant. The repetitious nature of the jobs was evidently made to order for the girls. They took to their tasks like ducks to water; in fact, says Mr. Brennan, they did much better than did their normal co-workers. Their simple chores occupied both their bodies and their not-too-bright minds, and they were happy. More intelligent employees, on the other hand, could do the same work and hardly think about it. Naturally, says the author, they

were bored silly; and their very boredom led to discontent and inefficiency.

Mr. Brennan goes on to discuss similar experiments conducted in his own country, Australia. Then, just about the time you conclude that he is making a pretty good case for the utilization of subnormal or feeble-minded people in certain types of industrial jobs, he pulls a complete switch, and spins you off into a very strange world —the world of Niall Brennan.

The Making of a Moron is a tricky title, and a good one. Undoubtedly, it will sell many copies of the book; indeed, Mr. Brennan's volume may find its way into some industrial relations libraries. But disappointment awaits any executive who may believe he is getting something solid on how to achieve greater job satisfaction among employees. He's not; and it's a pity, too. Had Mr. Brennan stuck to his original topic he might well have come up with a worth-while and a much-needed book. He didn't, and he didn't.

Industry is quite conscious of the problem of job monotony. Aware that satisfaction at work is of paramount importance to sound human relations, intelligent management is making increasing use of tests and other devices offered by the social sciences to make sure that employees are placed on jobs that they can do, and that they can be happy doing. Peter Drucker has told how a large American manufacturer counteracts job monotony by frequent transfers of employees. Before a man's duties become second nature to him, he is given another assignment; hence, his work is always a challenge. Admittedly, much remains to be done by management in this direction; but the picture is hardly as gloomy as Mr. Brennan paints it. Nor has he offered any constructive suggestions for solving the problem.

From Niall Brennan's account of himself and his career in business, he appears to be what the Bureau of Labor Statistics of the U. S. Department of Labor would describe as a marginal worker. He says, "I would like to have worked in every known type of job," and he has made a fair stab at doing just that. Laborer in an Australian paper mill, porter, actor, cinema manager, department-store clerk, journalist, carpenter, elevator operator, lecturer, woodchopper—this partial list by no means covers the extent of his work experience, but it does give a rough idea of his mobility. Moreover, Mr. Brennan disliked every job he ever held—except for the woodchopping, which occupied him only briefly. Trouble with the boss was his usual complaint. But he didn't like the system either. One boss who exactingly required him to show up at the office attired in a coat and tie—Mr. Brennan was a clerk at the time—got a fast comeuppance. "A man cannot stay in a job like that for too long and stay normal," he reflected as he collected his wages on the way out.

Altogether, Mr. Brennan seems a hard man to please. I thought for a time that he had solved his problem when he became a woodchopper; he was his own boss. But it didn't work out. He got into a quarrel with himself on the question of profits; he was afraid he'd make too much money. The argument got bitter, and at its climax Brennan the worker flew off the handle and quit forthwith; while simultaneously Brennan the employer fired himself summarily. And that wound up the woodchopping business.

Niall Brennan's ideas boil down to this: As a person's fortune in worldly things seems to grow, as his wealth increases disproportionately to the effort he has made, he should restore more and more to God. A man does not need riches; unless they be immediately diverted to the service of others, riches soften and weaken a man, both physically and mentally. A man does not need security; God has promised that man will be given what he needs for his most important end, and it is presumptu-

ous of man to lose sight of that end in a preoccupation with merely local problems of security. A man does not need comfort; he will function better as a man if his body is disciplined, hardened, and steeled. A man does not need to avoid suffering. A man must work; and work includes a struggle, a battle with nature and with self. Incidentally, this work should be the work of a craftsman. "The most spiritually satisfying of all work," says Mr. Brennan, "is handicraft, that is, work done by the hands under the direction of the brain."

All this is very pretty. But scarcely practical. William Wordsworth summed up Mr. Brennan's case in a few words: "The world is too much with us." Aside from that, Mr. Brennan's indictment of our contemporary industrial civilization is too sweeping to be really constructive. He is at war with the world. He dislikes bosses, thinks profit is a nasty word, detests labor unions, and is appalled by business practices (particularly those of big business). Laborers in industry, he maintains, are for the most part soulless clods. And his opinion of lawyers, journalists, clerks, real-estate agents, government officials, people who wear morning clothes (they're flunkeys) and others of the white-collar gentry is lower still.

Yet even such a strong character as Niall Brennan, it seems, has had moments of self-doubt. It made me realize more than ever our common humanity and its accompanying frailty when I read, in one place: "You could not live the life I led, and endure the indictment of family and friends, without feeling at times they might be right. It was one opinion against the opinion of the civilized world." But he quickly brushed this misgiving aside with the thought that these persons were morons of various kinds; glossily polished, to be sure, and hence more dangerous.

Mr. Brennan's principal objection to present-day employers—or "bosses," as he prefers to call them—is that they don't hire the whole man when they offer work. They forget about souls. The utopia he envisages is one where a master and two or three servants work together at some handicraft in a happy, though disciplined, relationship. He is proud of his Christian virtues, and has more than a little Fahrenheit under the collar when he contemplates the complications of our civilization. He is an implacable enemy of steam heat, cafeterias, fancy hotels, modern housing, and filing cabinets. Filing cabinets apparently symbolize "organization" to Mr. Brennan —and, boy, is he opposed to that!

Several times the author quotes the quatrain about the moron which ends: "I wish I were a moron. My God! Perhaps I am." Here's one reviewer who won't argue the point.

WHY DO PEOPLE BUY? By the Editors of *Fortune*. McGraw-Hill Book Company, New York 36, N. Y. 1953. 270 pages. $3.50.

Reviewed by Richard D. Crisp*

Why Do People Buy? is a 14-chapter book which reprints in substantially unchanged form the articles published in 1952 and 1953 by *Fortune* under the general heading "Selling in Today's Economy."

The series in question represented *Fortune's* first serious attempt to focus on the marketing side of business activities. As such, it rates an "A" for effort. The series in question was a very loosely connected and unintegrated collection of essays examining different aspects of the selling picture. The book suffers from the same lack of organization and integration, although the fault is much more conspicuous when the articles are combined.

Selling, as *Fortune's* editors see it, is presented to the reader of this book in a series of sharply focussed but fragmentary pictures. It is mighty difficult to put these

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impressions together into a whole elephant. If a summary had been added to the book, with a view to unifying some of the viewpoints expressed, the reader might have been aided to reconcile some of the "blind men's viewpoints" which the individual, unrelated essays otherwise represent.

A sound organization plan is essential in a well-integrated book. This one lacks such a plan, and raises a serious question as to the underlying organizational backbone, if any, of the series itself.

Covered are such elements of the marketing picture as an attempt to reconcile mass buying behavior with Keynesian economic theories; a superficial discussion of "the changing U. S. salesman," with emphasis on his low social status and the problems which that status creates for sales executives; a fictionalized description of a "specialty salesman" in action; and other vignettes on such subjects as the extent of discount-buying in hard goods and the strategy of the seller.

The significance of this book to most readers of THE MANAGEMENT REVIEW lies but in the hope it raises that *Fortune's* editors may now be moving close enough to marketing to be able to cover the subject with the competence and discrimination they have previously reserved for matters of finance and production.

An observation on the problem of translating a magazine series into a book may perhaps be permitted here. Such an enterprise requires a recognition of the importance of sound organization in a successful book. In *Fortune's* case, much of the value of the original articles lies in the excellent illustrative treatment possible in the original format and page size. The current series on "The Changing American Market," for example, includes a superb graphic presentation of some otherwise dull, though extremely significant, marketing facts of life. One may hope that when this series makes its inevitable appearance in book form, the values of that graphic presentation may somehow be retained.

THE WRITINGS OF THE GILBRETHS. Edited by William R. Spriegel and Clark E. Myers. Richard D. Irwin, Inc., Homewood, Ill. 1953. $7.35. 513 pages.

Reviewed by Harold Engstrom*

Everyone in the field of industrial management owes a debt of gratitude to Dean William R. Spriegel and Professor Clark E. Myers for their work in editing this outstanding group of articles. This compilation presents a most interesting and enlightening pattern, which reflects the progress of scientific management in American industry during the past 40-odd years. The wide expanse of management techniques covered by this volume further enhances its value, particularly for those readers who over the years have sought to collect the many writings and publications of Frank B. Gilbreth and Dr. Lillian M. Gilbreth. One appreciates even better, after reading this book, how outstanding were the contributions of these two pioneers to the welfare of management and worker.

The Writings of the Gilbreths should be in every management library. It is excellent source material for the researcher in management, and equally valuable as a modern reference text, because the basic material is as valid today as it was when it was first written. In studying the content of this book, students of management will be interested to observe that several of the "new" approaches to specific management problems—work measurement, the study of worker psychology, and office methods improvements, to mention just a few—were investigated and initiated years ago by the Gilbreths. Their writings on the importance of the study of fatigue and their reference to "happiness minutes" indicate that they were among the first to consider worker welfare.

Many of the improved working condi-

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tions we now enjoy in industry are the direct result of the investigations and work done by these great pioneers. Their individual contributions to the science of management overshadow all others in this era. Their tremendous accomplishments are clearly manifest in this book.

Mention is made of several colleagues of the Gilbreths: Fred Taylor, G. S. Gantt, H. K. Hathaway, Morris E. Cooke, all distinguished workers in the field. To the researcher, these references are invaluable. The editors note that in 1910 Robert Thurston Kent, editor of *Industrial Engineering,* asked Frank B. Gilbreth to write a series of articles on motion study for that magazine. It is fortunate that Mr. Kent did so. These articles, as they appear in digest in the book, are of outstanding historical significance, representing as they do the basic fundamentals of industrial engineering as we know it today.

As one commentator has pointed out, the Gilbreths wrote not only from the brain but from the heart. In the present volume, Mr. Spriegel and Mr. Myers as editors have clearly emphasized this fact. Their careful, diligent work has produced a volume of practical and educational value to management, workers and students.

Briefer Book Notes

[Please order books directly from publishers]

HOW TO ATTRACT AND HOLD ENGINEERING TALENT: *A Report on Executive Research Survey No. 3.* Prepared by The Professional Engineers Conference Board for Industry with the co-operation of The National Society of Professional Engineers, 1121 Fifteenth Street, N. W., Washington 5, D. C. 1954. 69 pages. $2.00. The end product of a survey representing the opinions of more than 200 employers of engineers and 1,400 engineers employed in industry throughout the United States, this report brings to light many friction points in the relations between these two groups. The growing trend toward unionization and the inadequate curricula of many engineering schools are emphasized, as well as the need for readjustment of salary scales, differentiation in personnel policies as they apply to engineers and to non-professional employees, and increased use of sub-professional workers for routine assignments.

INDUSTRIAL SOCIOLOGY: *An Annotated Bibliography.* Compiled by Virginia Prestridge and Donald Wray. *Bibliographic Contributions No.* 3, Institute of Labor and Industrial Relations, University of Illinois, Champaign, Ill., 1953. 80 pages. $1.00. "Industrial sociology" is here used to mean the "analysis and interpretation in sociological terms of the structure of industry . . . , the processes of change within this structure, and the direct relations between this structure and the social order." The resultant listing, arranged alphabetically by author and followed by a detailed subject index, covers a wide variety of topics ranging from the problems of ethnic groups to principles of scientific management.

OUTLINE OF EXECUTIVE DEVELOPMENT. Compiled by Lee Stockford. *Bulletin No.* 23, Industrial Relations Section, California Institute of Technology, Pasadena, Calif., November, 1953. 46 pages. $2.00. The material here presented was derived from highlights of conference discussions for use as a basis of further discussion. Within the limits of the outline form, it provides an over-all review of the subject, beginning with the need for executive development and extending through the planning of the program, the forms used, the selection process, rating and appraisal techniques, and the continuing responsibility of every member of management toward his subordinates.

PERSONNEL MANAGEMENT: *Principles, Practices, and Point of View.* By Walter Dill Scott, Robert C. Clothier, and William R. Spriegel. McGraw-Hill Book Company, Inc., New York, 1954. Fifth edition. 690 pages. $6.50. This basic text has been completely revised around the results of a survey of 629 leading U. S. companies regarding the status of personnel management. A new chapter, "Personnel Management as a Coordinating Function," has been added, and 75 new illustrations are included.

ESTABLISHING A TRAINING PROGRAM. Thomas Q. Gilson, William A. Holcombe, and John D. Staley, Editors. Bulletin No. 3, Institute of Management and Labor Relations, Rutgers University, New Brunswick, N. J. 1953. 45 pages. Single copies gratis. The design and development of education and training in industry are traced in six papers, originally delivered at a Rutgers University management conference. The papers cover steps in setting up a program, methods and materials, "pre-foremanship" training, human relations training, mechanical crafts training, and evaluation procedure. A brief bibliography is included.

ORGANIZATION AND OPERATION OF AN INTERNAL AUDITING DEPARTMENT. *Research Committee Report No. 1.* The Institute of Internal Auditors, 120 Wall Street, New York, N. Y. 1953. 40 pages. $1.00. An interesting comparison is made here between objective standards for setting up and operating an internal auditing department and actual practices in the field. The report first discusses the goals and criteria for such a program, then considers the results of a 1950-1951 survey of company practices which covered the functions and authority of internal auditors, organization of the department, relationships with outside accountants, and auditing and reporting methods. Though limitations exist in some areas, certain procedures—such as those followed in issuing reports of audits—have been substantially improved, the report indicates.

SPENDING FOR INDUSTRIAL RESEARCH 1951-1952. By DeWitt C. Dearborn, Rose W. Kneznek, and Robert N. Anthony. Division of Research, Harvard Business School, Boston 63, Mass. 1953. 103 pages. $2.50. This quantitative study of the basic technological and developmental research activities of American companies consists of a three-part survey of 1) the proportion of firms in various industries and size groups which maintain research programs; 2) the cost for all firms carrying on research; and 3) the details of the research programs of a selected group of leading firms in each industry. The important findings for most users of the report are those for their specific industry and size group, rather than those contained in over-all averages, because of the wide variations in research spending found among different industries, size groups, and individual companies within each industry and size group.

HOW TO WRITE REPORTS. By Calvin D. Linton. Harper & Brothers, New York, 1954. 240 pages. $3.00. The three sections of this book cover *forms*, or the characteristics of various kinds of reports; *methods*, or how to approach a topic, plan and carry out research, evaluate sources, and present material according to the type and purpose of the report; and the *mechanics* of grammar, punctuation, note-taking, and outlining material. A glossary of grammatical terms and a discussion of expository writing are included.

HOW TO BE A SUCCESSFUL LEADER. By Auren Uris. McGraw-Hill Book Company, Inc., New York, 1953. 239 pages. $3.50. Three basic techniques of leadership—the autocratic, democratic, and free-rein methods—are described here. All leaders use one or a combination of these methods, the author states. He then discusses the method appropriate to various types of situations. Chapters on avoiding internal discord and sudden crises, delegating responsibility, shaping attitudes, building communications, and scheduling work further define the leader's goals and his relationship to the group.

LIVE BETTER AFTER FIFTY. By Ray Giles. McGraw-Hill Book Company, New York, 1953. 205 pages. $3.50. This inspirational book on the "youth of old age" stresses the opportunities for happiness implicit in the development of one's mental and creative capacities and contains some new thoughts on hobbies, social service, mental attitudes, and health. While the emphasis is not upon financial problems of old age, the book contains chapters on retaining employability later in life and on the economics of retiring on a pension.

MANAGEMENT OF NEW ENTERPRISES. By Lynn L. Bollinger and John S. Day. Richard D. Irwin, Inc., Homewood, Ill. 1954. 489 pages. $7.35. This casebook of problems on the establishment and operation of new businesses is designed to develop through discussion the student's ability to make intelligent management decisions. The 38 cases are presented under five headings: 1) starting a new enterprise with a new product; 2) starting a new enterprise with an existing product; 3) acquisition and development of established organizations; 4) new enterprise financing; and 5) development of the new and growing organization.

Readers' Forum

SCREENING TELEPHONE CALLERS: A SECRETARY SPEAKS

To the Editor:

Three cheers for the Editor's Note on "Who's Calling?" by E. Wesley Henver* in your January issue! As a secretary myself, I strongly agree that "there is much to be said in favor of a secretary's announcing the names of telephone callers." For instance:

It's true that many "top men" accommodate their callers by answering direct. By the time an executive has reached the very top, however, he has reduced, by a slow process of elimination, the number of his callers to those with whom he has direct business. The young potential executive, on the other hand, may wish to talk to as many people and make as many business friends as possible.

But what happens in between? It's a sorry executive who doesn't learn to turn over to his assistants and understudies as many of his former time-consuming, detailed obligations as he reasonably can. There are always a number of die-hards who seem not to understand that when a man's position advances he cannot be overburdened with the problems or queries of his former business contacts. No matter how friendly he may still feel towards Joe Smith, a vendor's representative, the now executive manager does not have the time or detail at hand to satisfy the inquisitions of Mr. Smith—even though they may have lunched together regularly in the past. Through a minimum of questioning by his secretary or the telephone operator, the executive manager would escape being "put on the spot," and Mr. Smith would be directed to the person now in a position to handle the matter in question.

* Digested from an article in *Printers' Ink*.—ED.

And since when does a boss "cower behind the skirts" of his secretary? What is a secretary for, if not to "front" for him occasionally? I hate to imagine what would happen if my boss tried to talk to everyone who phoned him. There are others, within the office, who have a legitimate demand on the boss's attention. If, for example, you were keeping a long-awaited appointment with the boss to present an idea you had conceived for some project of vital importance—how would you feel after he had been interrupted by a half-dozen telephone calls?

Again, any experienced secretary has learned how to be a courteous and gentle "buffer" to the hothead who impulsively picks up his phone to blast the boss's ears off for one reason or another. It's really surprising how a temperamental caller, after having let off some of the steam to the willing, impersonal ear of the secretary, will change his tune when finally turned over to the boss.

In all fairness, let me suggest the compromise procedure we use in our office. If our telephone operator recognizes the caller by name, she announces him direct to the executive—which is a great time-saver for the caller, the secretary, and the executive himself. If she does not recognize his name she asks no further questions but turns him over to the secretary—who, incidentally, has neither the desire nor the time to take down a case history. In either case, the executive has a chance to get his bearings or use his rightful privilege of directing the call elsewhere.

So, if anyone ever calls *our* office and tells me he's "Napoleon Bonaparte," I'll politely advise him that I'm "Josephine," and he can just go to Waterloo before I'll transfer him to my boss!

—NAME WITHHELD BY REQUEST

AMERICAN MANAGEMENT ASSOCIATION

Twenty-third National

PACKAGING CONFERENCE

AND EXPOSITION

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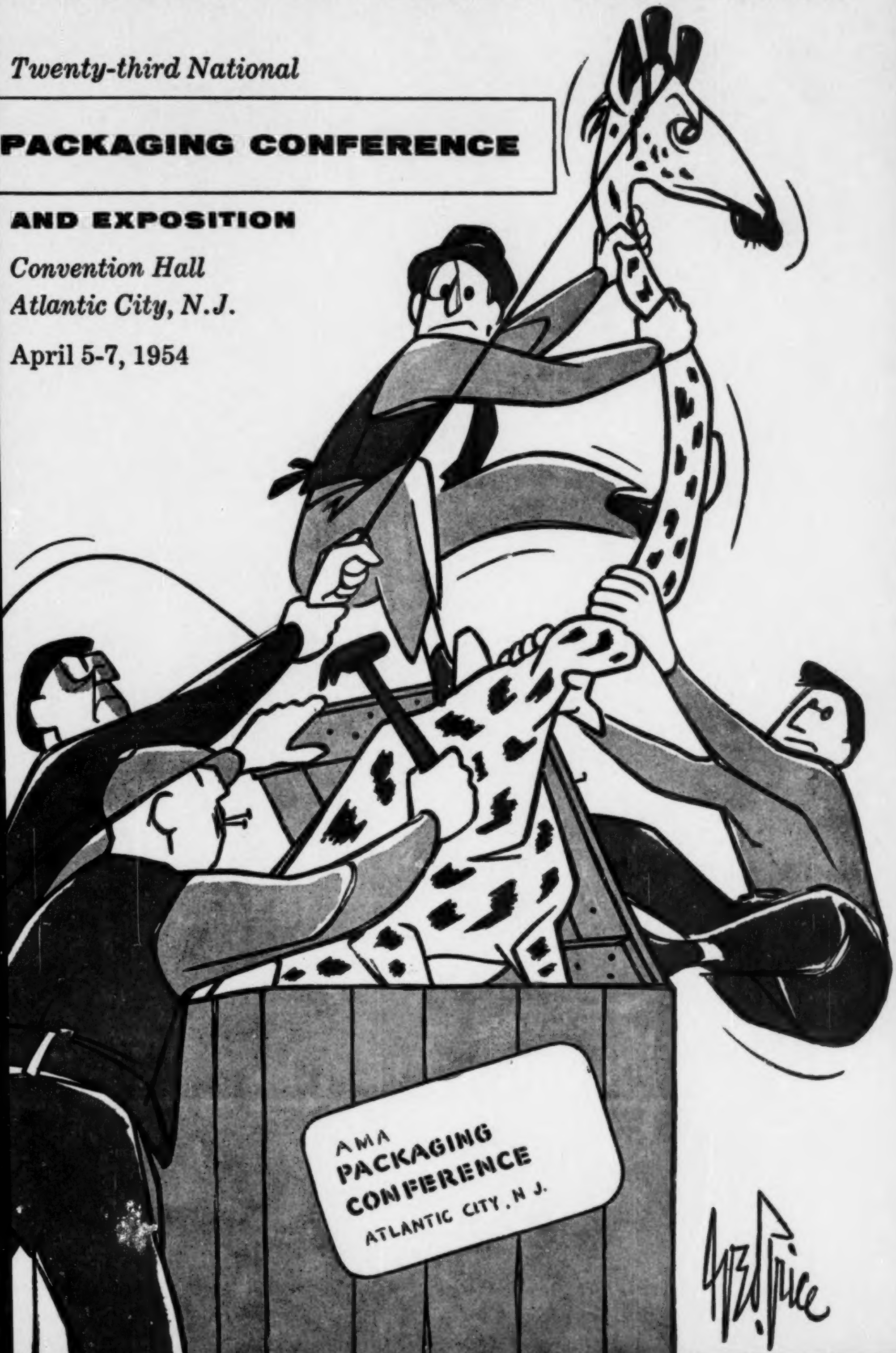

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